GREATER DAYTON REGIONAL TRANSIT AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

(with comparative statements for the year ended December 31, 2004)

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants

Auditor of State
Betty Montgomery

Board of Trustees
Greater Dayton Regional Transit Authority
4 S. Main St.
Dayton, Ohio 45401

We have reviewed the *Report of Independent Accountants* of the Greater Dayton Regional Transit Authority, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Greater Dayton Regional Transit Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 25, 2006

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GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Audit Report

For the year ending December 31, 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees of
Greater Dayton Regional Transit Authority and
Ms. Betty Montgomery, Auditor of State:

We have audited the accompanying basic financial statements of the Greater Dayton Regional Transit Authority (the Authority) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of December 31, 2004 were audited by other auditors whose report dated April 8, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States*, *Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
March 22, 2006

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

December 31, 2005 and 2004

(Unaudited)

As financial management of the Greater Dayton Regional Transit Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2005 and 2004. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights for 2005

- The Authority's total net assets decreased by $8.9 million or 5.3% over the course of the year's operations causing a reduction in reserves.
- The Authority's operating expenses, excluding depreciation, in 2005 were $1.4 million higher than 2004 expenses. This was due primarily to increased fuel costs.
- Operating revenues for the Authority were $7.8 million for fiscal year 2005. This was an increase of 22.2% over the prior year, and was primarily the result of fare increases.
- Sales tax revenue was $.3 million less than 2004. As sales tax accounts for approximately 60% of all funding, it is important that inflationary increases are realized year over year. 2004 included a one-time distribution by the State of Ohio of previously unidentified tax dollars.
- Investment income was equal to 2004 due to higher interest rates which were nearly offset by a smaller average investment balance.

Financial Highlights for 2004

- The Authority's total net assets decreased by $3.0 million or 1.8% over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, in 2004 were $1.7 million higher than 2003 expenses. This increase was due primarily to increased claims and insurance costs in 2004. This change did not compare to higher Consumer Price Index increases as management efficiencies were incorporated into the year's operations.
- Operating revenues for the Authority were $6.4 million for fiscal year 2004. This was an increase of 5.5% over the prior year, and was primarily the result of elimination of the pilot Collegiate Pass Program.
- Sales tax revenue was up $0.7 million or 2.2% in comparison to 2003. As sales tax accounts for approximately 64% of all funding, it is important that inflationary increases are realized year over year. The increase realized in 2004 was the result of a one-time distribution by the State of Ohio of previously unidentified tax dollars as well as improvements in Montgomery County's economic condition.
- Investment income decreased by $0.1 million or 4.9% in 2004 due to low interest rates and a smaller average investment balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. This report contains supplementary information concerning the Authority's net assets and changes in net assets in addition to the basic financial statements themselves.

Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business.

The balance sheets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicate improved financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of this year's activities?" The statement of net assets and the statement of revenues, expenses and changes in net assets report information about the Authority's activities in a way that will help answer this question. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other nonfinancial factors such as changes in economic conditions, population decline or growth and new or changed governmental legislation.

Net Assets

	2005	2004	2003
Current assets	$ 38,504,973	33,453,532	27,624,800
Long-term investments	16,233,597	27,059,398	33,844,555
Capital assets, net	124,735,884	131,808,769	131,809,810
Total assets	179,474,454	192,321,699	193,279,165
Current liabilities	14,327,517	16,709,605	13,173,503
Long-term bonds and notes payable	7,230,000	8,765,000	10,210,000
Total liabilities	21,557,517	25,474,605	23,383,503
Net assets:			
Invested in capital assets, net of related debt	115,970,884	121,598,769	120,229,810
Unrestricted	41,946,053	45,248,325	49,665,852
Total net assets	$ 157,916,937	166,847,094	169,895,662

Capital Assets

The largest portion of the Authority's net assets is its investment in capital assets. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. The Authority uses these capital assets to provide public transportation service for Montgomery County citizens. These assets are not available to liquidate liabilities or other spending.

The Authority's investment in capital assets, net of accumulated depreciation, was $124.7 million as of December 31, 2005, a reduction of $7.1 million from 2004 as capital asset expenditures were less than depreciation expense during the year. Major capital asset expenditures during 2005 included the following:

- Purchase of 20 Project Mobility mini vans and 4 street cars totaling $2.5 million,
- Purchase of security equipment for revenue vehicles and facilities totaling $.6 million,
- Purchase of 6 ticket/pass vending machines totaling $.4 million.

The Authority's investment in capital assets, net of accumulated depreciation, was $131.8 million as of December 31, 2004, unchanged from 2003 as capital asset expenditures were approximately equal to depreciation expense during the year. See footnote (5) for further explanation of capital assets. Major capital asset expenditures during 2004 included the following:

- Purchase of 56 Project Mobility vehicles totaling $4.9 million,
- Facility renovations totaling $1.8 million, and
- Purchases of new fare boxes totaling $2.8 million.

Long-term Debt

The Authority has outstanding bonds and notes payable of $8,765,000 and $10,210,000 in 2005, and 2004, respectively. These balances represent decreases of $1,445,000 and $1,370,000 due to principal payments in 2005 and 2004, respectively. This debt consists of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities. The bonds and notes were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds are general obligations of the Authority. There were no changes to the debt structure during fiscal years 2005 and 2004. See footnote (6) for further explanation of long-term debt.

Net Assets

Net assets decreased $8.9 million and $3.0 million for the years ended December 31, 2005 and 2004, respectively. See further discussion under changes in net assets below.

Changes in Net Asset

	2005	2004	2003
Operating revenues	$ 7,820,898	6,398,946	6,067,370
Operating expenses excluding depreciation	(55,910,975)	(54,466,400)	(52,761,903)
Depreciation expense	(12,426,720)	(11,373,393)	(11,319,037)
Operating loss	(60,516,397)	(59,440,847)	(58,013,570)
Net nonoperating revenues (expenses):			
Sales tax proceeds	32,982,075	33,324,081	32,592,292
Federal operating and preventive maintenance assistance	12,391,735	11,448,867	12,855,387
Federal capital grants (pass through)	844,214	1,028,438	4,074,630
Capital grants to sub-recipient	(844,214)	(1,028,438)	(4,074,630)
State special fare assistance	561,968	370,264	276,277
Investment income	1,517,906	1,540,705	1,619,273
Interest expense	(544,834)	(614,208)	(678,339)
Net increase/decrease in fair value of investments	(599,912)	(947,706)	(718,328)
Other	567,944	298,130	1,390,180
Nonoperating revenues and expenses, net	46,876,882	45,420,133	47,336,742
Capital contributions	4,709,358	10,972,146	10,944,480
Change in net assets	(8,930,157)	(3,048,568)	267,652
Net assets, beginning of year	166,847,094	169,895,662	169,628,010
Net assets, end of year	$ 157,916,937	166,847,094	169,895,662

Year Ended December 31, 2005

The Authority's operating revenues were $7.8 million during 2005, an increase of $1.4 million or 22.2% from 2004. The increase primarily resulted from fare increases that approximated 20% and a 3% increase in fare-paying riders.

Operating expenses, including depreciation expense, were $68.3 million during 2005, an increase of $2.5 million or 3.8% from 2004. This increase was primarily the result of higher vehicle fuel and natural gas costs. The remaining increase in operating expenses was due to general inflationary increases, offset by management operating efficiencies.

Nonoperating revenues and expenses, net, were $46.9 million during 2005, an increase of $1.5 million or 3.2% from 2004. The increase primarily resulted from $.9 million additional federal operating and preventative maintenance assistance and $.2 million more in state special fare assistance.

Year Ended December 31, 2004

The Authority's operating revenues were $6.4 million during 2004, an increase of $0.3 million or 5.5% from 2003. The increase primarily resulted from approximately 600,000 more fare-paying passengers related to the cancellation of the pilot Collegiate Pass Program at the end of the 2002/2003 school year. The program provided free passes to individuals enrolled in local colleges as freshmen, with the intent to include future years' passes in overall collegiate fees.

Operating expenses, including depreciation expense, were $65.8 million during 2004, an increase of $1.8 million or 2.7% from 2003. This increase was primarily the result of higher insurance costs as well as higher utility costs resulting from colder weather. The remaining increase in operating expenses is due to general inflationary increases, offset by management operating efficiencies and minimal service reductions.

Nonoperating revenues and expenses, net, were $45.4 million during 2004, a decrease of $1.9 million or 4.0% from 2003. The decrease in 2004 primarily resulted from decreases in federal operating and preventative maintenance assistance of $1.4 million and a one time gain ($0.8 million) in 2003 from the settlement with the manufacturer of the electric trolley buses (see further discussion in note 10b to the financial statements).

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Greater Dayton Regional Transit Authority, 4 South Main Street, Dayton, OH 45401.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Balance Sheets

December 31, 2005 and 2004

Assets		2005	2004
Current assets:			
Cash and cash equivalents (note 4)	$	5,930,298	2,634,342
Short-term investments (note 4)			
Board designated for capital acquision		7,510,571	7,574,314
Non-Board designated		10,005,838	4,130,352
Total Short-term investments		17,516,409	11,704,666
Accounts receivable, less allowance for doubtful accounts of $ 13,544 in 2005 and $279,892 in 2004 (note 3)		9,886,790	13,116,366
Materials and supplies, net		4,185,672	4,318,719
Prepaid expenses and deposits		985,804	1,679,439
Total current assets		38,504,973	33,453,532
Non-current assets:			
Long-term investments (note 4)			
Non-Board designated		16,233,597	19,139,828
Board designated		-	7,919,570
Total long-term investments		16,233,597	27,059,398
Capital assets (note 5)			
Land		4,976,974	4,976,974
Revenue producing and service equipment		94,892,136	91,800,983
Buildings and structures		100,434,987	99,466,924
` Office furnishings, shop equipment and other		17,648,338	16,357,232
Construction in progress		406,377	495,549
Total capital assets, gross		218,358,812	213,097,662
Less accumulated depreciation		93,622,928	81,288,893
Capital assets, net		124,735,884	131,808,769
Total assets	$	179,474,454	192,321,699
Liabilities and Net Assets			
Current liabilities			
Accounts payable	$	3,689,937	5,248,065
Accrued payroll and related benefit		6,156,017	5,960,741
Accrued self-insurance (note 9)		2,293,237	2,657,428
Unredeemed fares		525,858	526,405
Other accrued expenses		127,467	871,966
Current maturities of bonds and notes payable (note 6)		1,535,000	1,445,000
Total current liabilitie		14,327,517	16,709,605
Bonds and notes payable (note 6)		7,230,000	8,765,000
Total liabilities		21,557,517	25,474,605
Net assets:			
Invested in capital assets, net of related debt		115,970,884	121,598,769
Unrestricted		41,946,053	45,248,325
Total net assets		157,916,937	166,847,094
Total liabilities and net asset	$	179,474,454	192,321,699

See accompanying notes to financial statements

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2005 and 2004

	2005	2004
Operating revenues:		
Passenger fares	$ 6,608,532	5,453,113
Special transit fares and charter service:		
Board of Education (student transportation)	1,145,250	896,915
Charter service	35,301	43,978
Contract service	31,815	4,940
Total operating revenues	7,820,898	6,398,946
Operating expenses:		
Labor	25,968,656	25,533,537
Fringe benefits	15,324,945	15,463,210
Contractual services	4,940,744	4,332,550
Materials and supplies	5,465,829	4,387,114
Utilities and propulsion power	1,871,839	1,811,437
Claims and insurance	1,767,866	2,211,991
Other	570,696	726,561
Total operating expenses excluding depreciation	55,910,575	54,466,400
Operating loss before depreciation expense	(48,089,677)	(48,067,454)
Depreciation expense	12,426,720	11,373,393
Total operating expenses	68,337,295	65,839,793
Operating loss	(60,516,397)	(59,440,847)
Nonoperating revenues (expenses):		
Sales tax proceeds	32,982,075	33,324,081
Federal operating and preventative maintenance assistance	12,391,735	11,448,867
Federal capital grants (passed through to sub-recipient)	844,214	1,028,438
Capital grants to sub-recipient	(844,214)	(1,028,438)
State special fare assistance	561,968	370,264
Interest on investments	1,517,906	1,540,705
Interest expense	(544,834)	(614,208)
Net decrease in the fair value of investments	(599,912)	(947,706)
Other	567,944	298,130
Total nonoperating revenues, net	46,876,882	45,420,133
Loss before capital contributions	(13,639,515)	(14,020,714)
Capital contributions	4,709,358	10,972,146
Increase in net assets	(8,930,157)	(3,048,568)
Net assets – beginning of year	166,847,094	169,895,662
Net assets – end of year	$ 157,916,937	166,847,094

See accompanying notes to financial statements.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

Years ended December 31, 2005 and 2004

		2005	2004
Cash flows from operating activities:			
Receipts from fares and charters	$	8,102,313	6,360,966
Payments to suppliers		(13,810,262)	(8,632,925)
Payments for labor and employee benefits		(41,613,083)	(40,843,733)
Payments for claims and insurance		(2,132,057)	(1,762,396)
Net cash used in operating activities		(49,453,089)	(44,878,088)
Cash flows from noncapital financing activities:			
Sales tax		33,306,437	33,036,314
Federal operating and preventive maintenance assistance grants		12,972,648	14,272,820
Federal capital grants (passed through to sub-recipient)		844,214	1,028,438
Capital grants to sub-recipient		(844,214)	(1,028,438)
State operating and preventive maintenance and special fare assistance grants		783,724	148,508
Other		725,602	455,788
Net cash provided by noncapital financing activities		47,788,411	47,913,430
Cash flows from capital and related financing activities:			
Capital grants received		6,368,105	8,586,224
Additions to property and equipment		(5,353,834)	(11,372,352)
Interest paid on bonds and notes payable		(544,834)	(614,208)
Payments of bonds payable		(1,445,000)	(1,370,000)
Net cash used in capital and related financing activities		(975,564)	(4,770,336)
Cash flows from investing activities			
Purchases of investment securities		(18,899,581)	(19,784,516)
Proceeds from sale or maturity of investment securities		23,694,213	19,501,000
Interest received		1,141,566	1,262,641
Net cash provided by investing activities		5,936,198	979,125
Net increase (decrease) in cash and cash equivalents		3,295,956	(755,869)
Cash and cash equivalents at beginning of year		2,634,342	3,390,211
Cash and cash equivalents at end of year	$	5,930,298	2,634,342
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(60,516,397)	(59,440,847)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		12,426,720	11,373,393
Changes in assets and liabilities:			
Accounts receivable – other		281,993	(46,145)
Materials and supplies		133,047	54,062
Prepaid expenses and deposits		693,635	(279,652)
Accounts payable		(1,558,127)	2,681,631
Accrued expenses and unredeemed fares		(913,960)	779,471
Net cash used in operating activities	$	(49,453,089)	(44,878,088)

See accompanying notes to financial statements.

(1) The Authority and Reporting Entity

(a) The Authority

Greater Dayton Regional Transit Authority (the Authority) provides virtually all public mass transportation within Montgomery County. The Authority is governed by a nine member board of trustees and is an independent political subdivision of the State of Ohio organized pursuant to Ohio Revised Code Section 306.30 through 306.71, inclusive, as amended, and as such, is not subject to state or federal income taxes. The Authority was created on July 6, 1971, pursuant to the Revised Code, by ordinances of the Councils of the City of Dayton and City of Oakwood. After completing the purchase of the assets of City Transit, which was the major privately-owned public transportation system in the area, the Authority became operational on November 5, 1972. In July 1980, after the approval in the preceding April by the voters of the county of a one-half percent sales and use tax of unlimited duration for all purposes of the Authority, the boundaries of the Authority were extended to be coextensive with boundaries of Montgomery County, Ohio.

(b) Reporting Entity

The accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Governmental Accounting Standards Board (GASB) Statement No. 14, the Authority has no component units nor is it considered a component unit of any other governmental authority. The conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The accounts of the Authority, which are organized as an enterprise fund, are used to account for the Authority's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2005 will be recognized as revenue in 2005. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

(b) Budgetary Accounting and Control

The Authority's annual budget, as provided by law, is prepared on the accrual basis of accounting. The Authority maintains budgetary control by not permitting expenditures to exceed appropriations without approval of the board of trustees.

(c) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and deposits in the State Treasurer's Asset Reserve investment pool (STAR Ohio).

(d) Investments

Investments are reported at fair value, based on quoted market prices, except for repurchase agreements, which are reported at amortized cost.

(e) Board Designated Investments

Investments are designated annually by the board of trustees and shall be required for each of the following items:

Capital acquisitions – to provide local match funds for approved or projected Federal grants, projects not eligible for grant participation, or local match for transit related projects that would assist community development efforts.

Self insurance – the value of the estimated potential claim liability.

Working capital – the value of an average two months of budgeted operating expenses.

Other – to provide flexibility in funding operations when an economic downturn affects major revenue sources or when a major, unforeseen crisis requires extraordinary expenditures.

(f) Materials and Supplies

Materials and supplies are recorded at average cost and consist principally of maintenance supplies and repair parts.

(g) Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of a year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated useful life
Revenue producing and service equipment	3 to 18 years
Buildings and structures	6 to 45 years
Office furnishings, shop equipment, and other	5 to 8 years

(h) Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

(i) Net Assets

Equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed. The Authority does not have restricted net assets at December 31, 2005 or 2004.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(j) Passenger Fares

Passenger fares are recorded as revenue at the time services are performed.

(Continued)

(k) Sales Taxes

The Authority receives the proceeds of a one-half percent sales and use tax as approved by the residents of Montgomery County. The sales tax is collected by vendors within Montgomery County and remitted to the Ohio Department of Taxation, which charges a one percent administrative fee for its service. Sales tax revenue is recognized in the month collected by the vendors.

(l) Federal and State Operating and Preventative Maintenance Assistance Funds

Federal and State operating and preventative maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected in income in the period to which they are applicable.

(m) Capital Grants

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from Federal Transit Authority (FTA) or Ohio Department of Transportation (ODOT) are recorded as capital grants receivable.

When assets acquired with capital grant funds are disposed, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

(n) Classification of Revenues

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and special transit fares and charter service. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as sales tax proceeds and most Federal, State, and local grants and contracts.

(o) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Reclassifications

Certain amounts from the prior year may have been reclassified to conform to the current year presentation.

(Continued)

(q) New Accounting Pronouncement

During the year ended December 31, 2005, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3. This statement revises the deposit and investment risks disclosed in the notes to the financial statements. The financial statements have been prepared in conformance with this Statement.

(3) Accounts Receivable

Accounts receivable at December 31, 2005 and 2004 was as follows:

		2005	2004
Sales tax	$	8,384,136	8,708,499
Federal operating and preventive maintenance assistance		176,485	757,398
Ohio elderly fare assistance		-	221,756
Federal capital assistance		762,648	2,046,946
State capital assistance		30,905	581,838
Interest		199,020	203,166
Warranty claims settlement		157,659	315,318
Other		189,481	561,337
Gross receivables		9,900,334	13,396,258
Less allowance for uncollectibles		(13,544)	(279,892)
Net total receivables	$	9,886,790	13,116,366

(4) Cash and Investments

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse repurchase agreements.

(a) Deposits

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

At December 31, 2005 and 2004, the carrying amount of the Authority's deposits was $116,322 and $114,870, respectively, as compared to bank balances of $220,525 and $3,214,990, respectively. Of the bank balances at December 31, 2005 and 2004, $200,000 was on deposit and covered by federal depository insurance and $20,525 and $3,014,990, respectively, was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name.

(b) Investments

As of December 31, 2005, the Authority had the following investments and maturities:

Investment Type	Fair Value	Maturity(1)	Rating(2)
Federal Home Loan Bank	$ 7,904,150	208	Aaa/AAA
Federal Home Loan MortgageCorp.	14,269,017	371	Aaa/AAA
Federal National Mortgage Assoc.	8,242,124	397	Aaa/AAA
U.S. Treasury Strips	3,334,715	771	Aaa/AAA
STAR Ohio (investment pool)	5,813,976	Daily	AAAm (3)
Total Investments	$39,563,982		

(1) Weighted Maturity - Days
(2) Moody's
(3) Standard & Poor's

Custodial credit risk for an investment is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's $30,415,291 investment in U.S. governmental agency instruments, and $3,334,715 in U.S. Treasury 'strips' are held in the Authority's name by its custodian (agent).

Interest Rate Risk is the possibility that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy limits investment maturities to 5 years from date of settlement unless the investment is matched to a specific obligation or debt of the Authority.

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's investment policy limits investments to, among others, obligations of the US government or agencies thereof. The investment in STAR Ohio is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

Although the STAR Ohio deposits are included with investments above for risk categorization, these deposits are classified as cash and cash equivalents for financial reporting purposes.

(5) Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005
Capital assets not being depreciated:				
Land and land improvements	$ 4,976,974	—	—	4,976,974
Construction in progress	495,549		89,172	406,377
Total capital assets not being depreciated	5,472,523	—	89,172	5,383,351
Capital assets being depreciated:				
Revenue producing and service equipment	91,800,983	3,091,153		94,892,136
Buildings and structures	99,466,924	968,063		100,434,987
Office furnishings, shop equipment, and other	16,357,232	1,384,080	92,974	17,648,338
Total capital assets being depreciated	207,625,139	5,443,296	92,974	212,975,461
Less accumulated depreciation:				
Revenue producing and service equipment	39,048,906	7,025,790		46,074,696
Buildings and structures	34,095,652	3,429,294		37,524,946
Office furnishings, shop equipment, and other	8,144,335	1,971,636	92,685	10,023,286
Total accumulated depreciation	81,288,893	12,426,720	92,685	93,622,928
Total capital assets being depreciated, net	126,336,246	(6,983,424)	289	119,352,533
Total capital assets, net	$ 131,808,769	(6,983,424)	89,461	124,735,884

(Continued)

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
Capital assets not being depreciated:				
Land and land improvements	$ 4,976,974	—	—	4,976,974
Construction in progress	2,053,406	495,549	2,053,406	495,549
Total capital assets not being depreciated	7,030,380	495,549	2,053,406	5,472,523
Capital assets being depreciated:				
Revenue producing and service equipment	86,276,520	6,688,223	1,163,760	91,800,983
Buildings and structures	97,106,777	2,397,388	37,241	99,466,924
Office furnishings, shop equipment, and other	17,422,610	3,999,032	5,064,410	16,357,232
Total capital assets being depreciated	200,805,907	13,084,643	6,265,411	207,625,139
Less accumulated depreciation:				
Revenue producing and service equipment	33,862,646	6,232,841	1,046,581	39,048,906
Buildings and structures	30,694,572	3,438,321	37,241	34,095,652
Office furnishings, shop equipment, and other	11,469,259	1,702,231	5,027,155	8,144,335
Total accumulated depreciation	76,026,477	11,373,393	6,110,977	81,288,893
Total capital assets being depreciated, net	124,779,430	1,711,250	154,434	126,336,246
Total capital assets, net	$ 131,809,810	2,206,799	2,207,840	131,808,769

(Continued)

(6) Bonds and Notes Payable

Bonds and notes payable consist of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities. The bonds and notes were authorized to be issued and sold under resolutions passed by the Board of Trustees. The bonds and notes are general obligations of the Authority.

Bond activity for the year ended December 31, 2005 was as follows:

Issue	Interest rate		Balance January 1, 2005	Additions	Deletions	Balance December 31, 2005	Due within one year
Series 1993	3.10 to 5.10	$	1,905,000	—	425,000	1,480,000	460,000
Series 1994	3.50 to 6.00		2,105,000	—	375,000	1,730,000	395,000
Series 1997	4.15 to 5.55		6,200,000	—	645,000	5,555,000	680,000
Total		$	10,210,000	—	1,445,000	8,765,000	1,535,000

Bond activity for the year ended December 31, 2004 was as follows:

Issue	Interest rate		Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004	Due within one year
Series 1993	3.10 to 5.10	$	2,305,000	—	400,000	1,905,000	425,000
Series 1994	3.50 to 6.00		2,460,000	—	355,000	2,105,000	375,000
Series 1997	4.15 to 5.55		6,815,000	—	615,000	6,200,000	645,000
Total		$	11,580,000	—	1,370,000	10,210,000	1,445,000

The annual requirements to pay principal and interest on the bonds and notes outstanding at December 31, 2005 are as follows:

		Principal	Interest	Total
2006	$	1,535,000	474,390	2,009,390
2007		1,620,000	394,205	2,014,205
2008		1,725,000	308,315	2,033,315
2009		1,260,000	215,280	1,475,280
2010		830,000	144,420	974,420
2011-2012		1,795,000	150,245	1,945,245
	$	8,765,000	1,686,855	10,451,855

(7) Pension Plan

(a) Plan Description

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost sharing, multiple-employer public employee retirement system. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the OPERS board of trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary, and the Authority is required to contribute an actuarially determined rate. The employer contribution rate for 2005, 2004, and 2003 was 13.55% of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the Board. The Authority’s contributions to OPERS for the years ending December 31, 2005, 2004, and 2003, were $4,166,710, $4,033,413, and $4,049,622, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(8) Other Post-Employment Benefits (OPEB)

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer’s contribution to OPERS (see note 7) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The contribution rate of 13.55% to the Plan for the years ended December 31, 2005 and 2004 included a portion (4%) that was used to fund healthcare. The Authority’s contributions for post-employment benefits were approximately $1,230,025 and $1,190,675 for the years ended December 31, 2005 and 2004, respectively.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of assumptions

Actuarial Review – The assumptions and calculations below were based on the System’s latest Actuarial Review performed as of December 31, 2004.

Funding Method – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets.

Investment Return – The investment assumption rate for 2004 was 8.0%.

Active Employee Total Payroll – An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%.

Health Care – Health care costs were assumed to increase 4.0% annually.

OPEBs are advanced funded on an actuarially determined basis. The number of active participating participants at December 31, 2005 was 376,109. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 was $10.8 billion (the latest date information is available). The actuarially accrued liability and the unfunded actuarial accrued liability at December 31, 2004 (the latest date information is available), based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

(9) Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Risk Pool, Inc. (OTRP) formerly the Ohio Transit Insurance Pool, Inc. (OTIP) related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for contributions paid. For the period ended December 31, 2005 OTRP self-insured the first $250,000 of any qualified auto physical damage loss, the first $150,000 of any qualified commercial property loss, and the first $1,000,000 of any qualified casualty loss subject to a $1,000 per loss deductible ($25,000 for auto physical damage losses involving revenue vehicles). Per occurrence, catastrophic loss coverage is maintained by OTRP equal to $200,000,000 for qualified property losses (including auto physical damage) and $7,500,000 for qualified casualty losses.

Any underfunding of the plan's liabilities is shared by the members on a pro rata basis based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, net operating expenses and claims history (double weighted). This can result in future refund or return of prior years surplus.

The Authority is also self-insured for worker's compensation claims up to a limit of $500,000 per claim at which point stop-loss insurance becomes effective. A reserve has been provided at December 31, 2005 and 2004 for the estimated potential claim liability based upon an actuary's estimate. This liability is classified as current although some portion may not be paid within one year. Management believes, based on prior experience, that the estimated reserve for claims is adequate to satisfy all claims filed or to be filed for incidents, which occurred through December 31, 2005.

(Continued)

The following is a reconciliation of the Authority's claims liability:

		2005	2004
Accrued self-insurance – beginning of year	$	2,657,428	2,207,833
Claims and other expenses incurred – during year		488,776	1,319,815
Claims paid – during year		(852,967)	(870,220)
Accrued self-insurance – end of year	$	2,293,237	2,657,428

Capital and Other Grants

The Authority has a capital improvement program, which is primarily funded through capital grants. The purpose of this program is to provide various improvements to the transit system. The total amount approved under the capital improvement program is to be provided by grants and Authority equity, which includes participation by the FTA (approximately 80%), the Authority's funds (typically 20% depending upon ODOT participation) and, to a lesser extent, ODOT.

The Authority participates in community based transit improvement projects where management deems there to be a public transit related benefit. The Authority serves as a funding conduit for specific Federal/State funding, and/or provides Federal/State/Local funding out of its annual allocation. In exchange for its participation, the Authority receives benefits, which may include operating rights, exclusive use agreements, or other forms of consideration. Capital grants received for such projects are recorded as "Federal capital grants (passed through to sub-recipient)" offset by "capital grants to sub-recipient" in the Statements of Revenues, Expenses and Changes in Net Assets.

In 1998, the Authority entered into contracts with ODOT for two downtown Dayton projects, which included Federal Highway Administration (FWHA) and FTA funds. The process for receiving these Federal funds required the Authority to enter into a contract with ODOT for each project in the amount of $3,303,000 for the Baseball Stadium project and $3,675,000 for the RiverScape project. The Authority also entered into agreements with the City of Dayton, who was responsible for all contracts associated with the transit-related portions of the Baseball Stadium project and Montgomery County, which was responsible for all contracts associated with the transit-related portions of the RiverScape and Arts Center Foundation projects. In 2002, the Authority entered into contracts with the City of Dayton to use ODOT ($793,145) and FTA ($3,172,580) funds for transit related construction associated with the Wright Dunbar project.

(Continued)

The Authority passes-through certain federal awards to the City of Dayton and Montgomery County for various projects. During the years ended 2005 and 2004, the Authority remitted $0 and $112,000 to the City of Dayton for Baseball Stadium and related transit enhancements; and $844,000 and $915,000 to the City of Dayton for the Wright Dunbar project transit related construction.

The Authority has an obligation to ensure that the benefits received from such projects continue for a time period deemed appropriate to ensure Federal/State funds have fully vested in the project and that no Federal/State payback would be required by the sub-recipient. At December 31, 2005, the Authority continues to monitor the Baseball Stadium project completed in May of 2000 with $3,027,000 in Federal funding, the Main Street Project, completed in November of 1992 with $3,185,000 in Federal funding, and the Schuster Performing Arts Center project completed in 2003 with $10,342,330 in Federal funding. All of these projects have a 20 year vesting period and would require a partial payback of funding, based on straight line amortization, if the benefits received by the Authority are discontinued before the vesting period ends.

(10) Contingencies and Commitments

(a) Contingencies

Federally assisted capital grant programs are subject to audit by the granting agency. Management believes that no liability will arise, as a result of audits previously performed or to be performed, which might adversely affect the financial position of the Authority.

FTA grant stipulations also require the grantee to retain assets acquired by FTA funds for the full estimated asset useful life (as determined by FTA). If this provision is not met, the grantee must refund FTA’s un-depreciated basis in assets disposed.

(b) ETI Trolley Buses

In 1994, the Authority entered into a $32 million contract with Electric Transit Inc. (ETI) to purchase a new fleet of electric trolley buses. The ETI fleet consists of three prototype buses and 54 production models. In November 2000, two structural problems were discovered and 50 of the production buses were removed from revenue service. During 2001, ETI developed and tested final repair actions and retrofits with all repairs completed during the fourth quarter 2002. As of December 31, 2001, the RTA had accumulated ETI receivables in excess of $700,000 representing diesel fuel costs associated with the electric trolley buses being out of service, outstanding warranty claims and associated labor costs, and contract and related expenses associated with hiring a third-party technical advisor to the Authority to review engineering reports submitted to the Authority by ETI. The RTA elected not to record the ETI receivables until such time collectibility becomes more certain.

On January 30, 2003, ETI and RTA entered into a settlement agreement which provides, among other things, that RTA would be entitled to the $754,000 unpaid contract balance. Said amount was paid to RTA as follows: $123,000 at signing for unpaid warranty claims and the balance, $631,000, was deposited in an interest bearing escrow account and is to be paid out annually over a 4 year period beginning April 2003. The $631,000 represents $213,000 for labor to repaint the trolleys, $242,000 for diesel bus operation in lieu of the trolleys, and $176,000 for remaining warranty claims. In addition, ETI extended the structure warranty for an additional five years and provided sufficient paint to redo the entire trolley as well as turn over their supply of repair materials to RTA.

(c) Commitments

At December 31, 2005, the Authority had outstanding purchase commitments for contracts of approximately $1,700,000, of which approximately $1,300,000 is for tires with the remainder ($400,000) for security equipment among other things.

(d) Litigation

The Authority believes that any ongoing litigation is in the normal course of business and does not believe that the outcomes will materially affect the Authority's operation or financial position.

(e) Labor Contracts

In December 2005, the contract between the RTA and the American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) expired. Contract negotiations are on-going and while it is impossible to predict the outcome, management does not believe that there will be a material effect on operations or financial position.

In June 2003, RTA and the Amalgamated Transit Union, Local 1385 entered into a new three year contract effective April 2003. Among other things, the agreement provides for annual increases of 2.0%, 2.5% and 3.0% in 2003, 2004, and 2005, respectively. Contract negotiations have commenced and while it is impossible to predict the outcome, management does not believe that there will be a material effect on operations or financial position.

(Continued)

GREATER DAYTON REGIONAL TRANSIT AUTHORITY
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2005

Federal Grantor/Pass Through Grantor Program Title	Grant Number	Federal CFDA Number		Expenditures
U.S. Department of Transportatior				
Federal Transit Administration (FTA)				
Received Directly from FTA				
Federal Transit Cluster				
Federal Transit-Section 5309-Capital Improvement Grants:				
	OH-03- 0197	20.500	$	428,620
	OH-03- 0216	20.500		167,097
	OH-03- 0217	20.500		822,014
	OH-03- 0225	20.500		375,847
	OH-03- 0238	20.500		22,200
	OH-03- 0244	20.500		602,403
	OH-03- 0251	20.500		296,712
	OH-03- 0264	20.500		3,477,160
Total CFDA #20.500				6,192,053
Federal Transit Section 5307-Capital and Operating Assistance Formula Grants:				
	OH-90- 0295	20.507		12,876
	OH-90- 0316	20.507		25,423
	OH-90- 0341	20.507		845,170
	OH-90- 0359	20.507		91,679
	OH-90- X380	20.507		104,305
	OH-90- X409	20.507		652,576
	OH-90- 0415	20.507		44,362
	OH-90- X435	20.507		286,599
	OH-90- 0465	20.507		155,767
	OH-90- X483	20.507		1,542,775
	OH-90- X493	20.507		9,359,063
Total CFDA #20.507				13,120,595
Total Department of Transportation - Federal Transit Cluste			$	19,312,648

See accompanying notes to schedule of expenditures of federal awards.

Greater Dayton Regional Transit Authority
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

1. **Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

2. **Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

2. **Subrecipients**

The Authority was a pass-through entity of the Federal Transit Cluster funds to the following entity:

The City of Dayton:	
Wright Dunbar Project	$ 844,214
Ozone	335,750
Total	$ 1,179,964

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Greater Dayton Regional Transit Authority
600 Longworth Street
Dayton, Ohio 45401

We have audited the basic financial statements of the business-type activities of the Greater Dayton Regional Transit Authority (the Authority), as of and for the year ended December 31, 2005, and have issued our report thereon dated March 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the Authority in a separate letter dated March 22, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended for the information and use of the Board of Trustees, management of the Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
March 22, 2006

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Trustees
Greater Dayton Regional Transit Authority
Dayton, Ohio

Compliance

We have audited the compliance of the Greater Dayton Regional Transit Authority (the Authority) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management of the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 22, 2006

Schedule of Findings and Questioned Costs

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements.

2. There were no reportable conditions disclosed during the audit.

3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.

4. No reportable conditions in internal control over major programs were disclosed.

5. The auditor's report on compliance for the major federal award program for the Authority expresses an unqualified opinion.

6. No findings required to be reported under Section .510(a) of OMB Circular A-133.

7. The program tested as a major program was Federal Transit Administration Cluster: CFDA #20.500 and #20.507.

8. The dollar threshold for distinguishing Type A and Type B programs was $579,000.

9. The Authority was not determined to be a low-risk auditee.

B. Findings-Financial Statement Audit

None

C. Findings and Questioned Costs- Federal Transit Cluster, CFDA #20.500 and #20.507.

None

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-01	Subrecipient monitoring not adequate	Yes	Authority now monitors subrecipients
2004-02	Buy America Requirement not included in contract	Yes	Waiver obtained from FTA

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GREATER DAYTON REGIONAL TRANSIT AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 08, 2006