

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY**

**Audit Report**

**Years Ended December 31, 2014 and 2013**







# Dave Yost • Auditor of State

Board of Trustees  
Greater Dayton Regional Transit Authority  
4 South Main Street  
Dayton, Ohio 45402

We have reviewed the *Independent Auditors' Report* of the Greater Dayton Regional Transit Authority, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 10, 2015

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# **GREATER DAYTON REGIONAL TRANSIT AUTHORITY**

## **Audit Report**

**For the years ended December 31, 2014 and 2013**

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**INDEPENDENT AUDITORS' REPORT**

Greater Dayton Regional Transit Authority  
Montgomery County  
4 South Main Street  
Dayton, Ohio 45402

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Greater Dayton Regional Transit Authority, Montgomery County, Ohio (the Authority), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Dayton Regional Transit Authority, Montgomery County, Ohio as of December 31, 2014 and 2013, and the changes in financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Charles E. Harris & Associates*

**Charles E. Harris & Associates, Inc.**  
April 3, 2015

## **Greater Dayton Regional Transit Authority**

### Management's Discussion and Analysis

For the years ended December 31, 2014 and 2013

(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, 2014 and 2013. 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 net position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### **Financial Highlights for 2014**

- The Authority's total net position decreased by \$1.0 million or 0.6% over the course of the year's operations. Significant factors contributing to the net decrease in total net position include a \$3.7 million decrease in net capital assets and a \$3.2 million increase in total liabilities. An offsetting factor is the increase in cash and investments totaling \$7.8 million.
- Operating revenues were \$9.4 million for both 2014 and 2013. Slight ridership losses over the course of 2014 were offset by increases in monthly pass sales.
- Sales tax revenue increased \$2.3 million or 6.4% over 2013 primarily due to continued improvements in local economic conditions and increases in the Medicaid Managed Care tax base. Historically, sales tax has accounted for approximately 60% of all funding. For 2014, it represented 57% (vs. 56% in 2013).
- Federal operating assistance increased 2.9% with \$18.1 million in revenues for 2014 versus \$17.6 million in 2013. The increase was directly tied to wages utilized for the maintenance of fixed assets.
- Interest income was \$0.1 million higher than 2013 due to a steadily improving interest rate environment. Management continues to focus efforts aimed at maximizing interest income.
- Other income was \$0.1 million lower than 2013. The \$1.0 million of other income during 2014 includes advertising revenue, Greyhound agent commissions, rental revenue and scrap metal sales.
- Operating expenses, excluding depreciation, increased by \$4.5 million or 7.9% over 2013. This was primarily due to increases totaling \$1.7 million in labor and benefit expense categories and a \$1.9 million increase in materials and supplies expense.
- The Authority has no long-term debt.

### **Financial Highlights for 2013**

- The Authority's total net position decreased by \$1.7 million or 1.1% over the course of the year's operations. Significant factors include a \$9.2 million decrease in net capital assets offset by increases in cash and investments totaling \$3.1 million, as well as increases in accounts receivable totaling \$4.6 million.
- Operating revenues were \$9.4 million in 2013, a decrease of \$0.3 million from 2012. This change was the result of decreased passenger trips during 2013.
- Sales tax revenue increased \$1.1 million or 3.2% over 2012 primarily due to continued improvements in local economic conditions and increases in the Medicaid Managed Care tax base.

# **Greater Dayton Regional Transit Authority**

## **Management's Discussion and Analysis**

For the years ended December 31, 2014 and 2013

(Unaudited)

- Federal operating assistance was nearly unchanged with \$17.6 million in revenues for 2013 versus \$17.7 million in revenues for 2012.
- Interest income was \$0.1 million higher than 2012 due to a steadily improving interest rate environment.
- Other income was virtually unchanged between 2013 and 2012. The \$1.1 million of other income during 2013 includes advertising revenue, Greyhound agent commissions, rental revenue and scrap metal sales.
- Operating expenses, excluding depreciation, increased by \$1.9 million or 3.4% over 2012. This was primarily due to increases totaling \$1.4 million in labor and benefit expense categories.
- The Authority has no long-term debt.

## **Overview of the Financial Statements**

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

## **Required Financial Statements**

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

The statements of net position present information on all of the Authority's assets and liabilities, with the assets less the liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. An increase in assets without a corresponding increase in liabilities will result in increased net position, which indicates improved financial position.

The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the fiscal year. All changes in net position 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 statements are the statements of cash flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what were the changes in the cash balances during the reporting periods.

## **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.

## **Greater Dayton Regional Transit Authority**

### Management's Discussion and Analysis

For the years ended December 31, 2014 and 2013

(Unaudited)

#### **Financial Highlights of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority better or worse off as a result of this year's activities?" The Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows 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 position are one indicator of whether its financial health is improving or deteriorating.

One will need to consider other nonfinancial factors such as changes in economic conditions, population decline or growth and new or changed governmental legislation. In this regard, primarily several years ago, the greater Dayton area experienced the loss of numerous businesses and employment opportunities for its residents, our riders. However, during 2014 and 2013 we have seen signs of slow but steady economic growth in our region which positively impacted the financial health of our organization.

As shown in the Statements of Revenue, Expenses and Changes in Net Position, the Authority received from the Federal Government and the State of Ohio approximately \$18.1 million and \$17.6 million in 2014 and 2013, respectively. Given the financial uncertainty surrounding the economy and the increased pressure on governments to reduce spending and to achieve balanced budgets, the amount of such assistance in future years remains uncertain. Loss or decrease of such assistance would have a significant adverse impact on the financial results of the Authority.

In June 2012 the Governmental Accounting Standards Board (GASB), issued Statement 67, Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 and Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. In November 2013, GASB issued Statement 71, narrowly amending Statement 68. The intent of these new pension accounting and reporting standards is to: enhance the decision-usefulness of pension related information in financial reports, improve transparency and accountability, and standardize valuation practices to enhance comparability for similar types of pension plans. The Authority plans to implement these new standards as of and for the year ended 2015. The potential impact to the Authority's 2015 financial statements is yet to be determined; however, staff continues to monitor implementation steps on an ongoing basis.

In conclusion, it is important to recognize that the current contract with the Amalgamated Transit Union, Local 1385, will expire in April 2015. Management is in the planning and preparation stages for upcoming contract negotiations.

## Greater Dayton Regional Transit Authority

### Management's Discussion and Analysis

For the years ended December 31, 2014 and 2013

(Unaudited)

<b>Net Position</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current assets	\$ 36,213,734	\$ 32,845,136	\$ 50,320,348
Non-current assets	30,557,051	27,942,278	2,494,572
Capital assets, net	<u>101,559,201</u>	<u>105,307,061</u>	<u>114,532,020</u>
Total assets	<u>168,329,986</u>	<u>166,094,475</u>	<u>167,346,940</u>
Current liabilities	<u>16,928,137</u>	<u>13,720,419</u>	<u>13,283,212</u>
Total liabilities	<u>16,928,137</u>	<u>13,720,419</u>	<u>13,283,212</u>
Net position:			
Net Investment in capital assets			
Federal Transit Administration	74,616,694	77,177,551	83,634,553
Ohio Department of Transportation	8,883,275	9,936,137	8,850,514
Authority	18,059,232	18,193,372	22,046,953
Unrestricted	<u>49,842,648</u>	<u>47,066,995</u>	<u>39,531,708</u>
	<u>\$ 151,401,849</u>	<u>\$ 152,374,056</u>	<u>\$ 154,063,728</u>

### **Capital Assets**

The largest portion of the Authority's net position 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 substantially all of these capital assets to provide public transportation services. Substantially, most of these assets are not available to liquidate liabilities or for other spending.

Equity related to capital acquisitions is reflected in the line item "Net investment in capital assets". The equity includes funding provided by the Federal Transit Administration (FTA) and the State of Ohio Department of Transportation (ODOT). The Authority's investment in capital assets, net of accumulated depreciation, was \$101.6 million as of December 31, 2014, a decrease of \$3.7 million from 2013 as depreciation expense exceeded capital asset expenditures during the year. However, approximately 82% of the equity pertains to the FTA and ODOT, whereas approximately 18% relates to local match dollars provided by the Authority. The equity related to the FTA and ODOT cannot be liquidated to provide a source of cash flow, as any premature sale would require payments to both the FTA (\$74.6 million) and ODOT (\$8.9 million) for their remaining equity in capital equipment as of year-end 2014.

Major capital asset expenditures during 2014 included the following:

- Four prototype dual mode buses (electric trolleys that operate off-wire)
- Facility upgrades, including bus stop shelters with amenities, office building renovations and electric trolley system substations

## **Greater Dayton Regional Transit Authority**

### **Management's Discussion and Analysis**

For the years ended December 31, 2014 and 2013

(Unaudited)

The Authority's investment in capital assets, net of accumulated depreciation, was \$105.3 million as of December 31, 2013; a decrease of \$9.2 million from 2012 as depreciation expense and asset write-offs represent more than asset expenditures during the year. Major capital asset expenditures during 2013 included the following:

- Electric trolley bus infrastructure associated with the Brown Street Redevelopment Project
- Facility projects including a new paint booth for buses and the construction of a salt storage facility

### **Long-term Debt**

The Authority had no outstanding long-term debt at December 31, 2014 or 2013.

### **Net Position**

Net position decreased \$1.0 million in 2014 and decreased \$1.7 million in 2013.

<b>Changes in Net Position</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Operating revenues	\$ 9,359,590	\$ 9,377,329	\$ 9,680,478
Operating expenses			
excluding depreciation	(61,697,589)	(57,166,852)	(55,296,311)
Depreciation expense	(13,108,866)	(14,159,053)	(13,233,269)
Operating Loss	<u>(65,446,865)</u>	<u>(61,948,576)</u>	<u>(58,849,102)</u>
Non-operating revenues (expenses)			
Sales tax proceeds	37,788,390	35,503,606	34,394,004
Federal assistance	18,075,424	17,566,323	17,669,388
Investment income	254,910	144,203	42,306
Interest expense	-	-	(49,037)
Net increase (decrease) in fair value			
of investments	57,412	(163,621)	(14,093)
Other	<u>980,997</u>	<u>1,059,687</u>	<u>1,072,595</u>
Net non-operating revenues	<u>57,157,133</u>	<u>54,110,198</u>	<u>53,115,163</u>
Capital grant equity	<u>7,317,525</u>	<u>6,148,706</u>	<u>5,278,336</u>
Change in net position	(972,207)	(1,689,672)	(455,603)
Net position, beginning of year	152,374,056	154,063,728	154,519,331
Net position, end of year	<u>\$ 151,401,849</u>	<u>\$ 152,374,056</u>	<u>\$ 154,063,728</u>

## **Greater Dayton Regional Transit Authority**

### **Management's Discussion and Analysis**

**For the years ended December 31, 2014 and 2013**  
**(Unaudited)**

#### **Year Ended December 31, 2014**

Operating revenues for the Authority were \$9.4 million in 2014 and virtually unchanged from 2013.

Operating expenses, excluding depreciation, increased \$4.5 million in 2014, or 7.9% over 2013. This increase was primarily due to increased labor and benefit expense, totaling \$1.7 million and increased materials and supplies expense totaling \$1.9 million. Service increases in 2014 increased operator wages. The write-down of obsolete trolley bus spare parts and increased vehicle maintenance accounted for most of the materials increase.

Non-operating revenues and expenses, net, were \$57.2 million during 2014, an increase of \$3.0 million or 5.6% from 2013. The increase primarily resulted from a \$2.3 million increase in sales taxes proceeds.

#### **Year Ended December 31, 2013**

Operating revenues for the Authority were \$9.4 million in 2013, a decrease of \$0.3 million or 3.1% from 2012. This change was the result of a decrease in ridership over the course of the year.

Operating expenses, excluding depreciation, increased \$1.9 million in 2013, or 3.4% over 2012. This was primarily due to increases totaling \$1.4 million in labor and benefit expense categories. During 2013 a new agreement was reached with the Amalgamated Transit Union. Retroactive payments as well as wage increases were implemented and paid during 2013.

Non-operating revenues and expenses, net, were \$54.1 million during 2013, an increase of \$1.0 million or 1.9% from 2012. The increase primarily resulted from a \$1.1 million increase in sales taxes.

## **Greater Dayton Regional Transit Authority**

### **Management's Discussion and Analysis**

**For the years ended December 31, 2014 and 2013**

**(Unaudited)**

### **Additional Information of Significance**

As described in Note 11 to the financial statements, the Authority attempts to mitigate the impact of significant fluctuations in the cost of diesel fuel. This is accomplished through the purchase of fuel futures contracts. Differences between the contract and actual prices will result in gains or losses on expired contracts and fuel cost.

The Authority is in the final year of a three-year contract with the Amalgamated Transit Union Local #1385 (ATU). The ATU contract expires in April 2015. Management is preparing for contract negotiations which will commence in the first quarter of 2015.

Four prototype dual mode buses costing \$1.4 million each are currently on site and being tested. These buses are designed to run both on the existing trolley wires and off-wire for significant distances at normal operating speeds. The Authority is hopeful that the new technology employed in these buses can be utilized in the future, as the entire trolley fleet will need to be replaced in the next few years.

### **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, Ohio 45402.

# Greater Dayton Regional Transit Authority

## Statements of Net Position

As of December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 10,952,394	\$ 9,163,068
Short-term investments (note 4)	6,067,843	2,685,000
Accounts receivable, less allowance for doubtful accounts of \$10,243 in 2014 and \$15,703 in 2013 (note 3)	14,422,726	16,018,249
Materials and supplies, net	3,016,776	3,466,259
Prepaid expenses and deposits	<u>1,753,995</u>	<u>1,512,560</u>
Total current assets	<u>36,213,734</u>	<u>32,845,136</u>
Non-current assets:		
Long-term investments (note 4)	<u>30,557,051</u>	<u>27,942,278</u>
Capital assets (note 6):		
Land	7,361,536	7,361,536
Revenue producing and service equipment	96,294,483	96,153,300
Buildings and structures	123,384,696	122,139,690
Office furnishings, shop equipment and other	19,342,440	19,511,205
Construction in progress	8,010,166	1,398,823
Less accumulated depreciation	<u>(152,834,120)</u>	<u>(141,257,493)</u>
Total capital assets - net	<u>101,559,201</u>	<u>105,307,061</u>
Total non-current assets	<u>132,116,252</u>	<u>133,249,339</u>
Total assets	<u>\$ 168,329,986</u>	<u>\$ 166,094,475</u>
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable	\$ 2,424,210	\$ 1,793,536
Accrued payroll and related benefits	5,845,168	5,936,160
Accrued self-insurance (note 9)	7,007,758	4,609,819
Unearned fare revenue	942,565	1,008,467
Other accrued expenses	<u>708,436</u>	<u>372,437</u>
Total liabilities	<u>16,928,137</u>	<u>13,720,419</u>
<b><u>Net Position</u></b>		
Net investment in capital assets (note 2)	101,559,201	105,307,061
Unrestricted (note 5)	<u>49,842,648</u>	<u>47,066,995</u>
Total net position	<u>151,401,849</u>	<u>152,374,056</u>
Total liabilities and net position	<u>\$ 168,329,986</u>	<u>\$ 166,094,475</u>

See accompanying notes to financial statements.

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Passenger fares	\$ 9,035,985	\$ 9,053,312
Special transit fares:		
Board of Education (student transportation)	298,988	307,331
Contract service	<u>24,617</u>	<u>16,686</u>
Total operating revenues	<u>9,359,590</u>	<u>9,377,329</u>
Operating expenses:		
Labor	26,662,767	25,104,915
Fringe benefits	17,645,544	17,478,198
Contractual services	3,893,650	3,251,843
Materials and supplies	9,661,023	7,718,179
Utilities and propulsion power	1,675,612	1,501,681
Claims and insurance	1,378,693	1,505,354
Other	<u>780,300</u>	<u>606,682</u>
Total operating expenses excluding depreciation	<u>61,697,589</u>	<u>57,166,852</u>
Operating loss before depreciation expense	(52,337,999)	(47,789,523)
Depreciation expense	<u>13,108,866</u>	<u>14,159,053</u>
Total operating expenses	<u>74,806,455</u>	<u>71,325,905</u>
Operating loss	<u>(65,446,865)</u>	<u>(61,948,576)</u>
Nonoperating revenues (expenses):		
Sales tax proceeds	37,788,390	35,503,606
Federal assistance	18,075,424	17,566,323
Interest on investments	254,910	144,203
Net increase (decrease) in the fair value of investments	57,412	(163,621)
Other	<u>980,997</u>	<u>1,059,687</u>
Total nonoperating revenues, net	<u>57,157,133</u>	<u>54,110,198</u>
Loss before capital grant equity	(8,289,732)	(7,838,378)
Capital grant equity (note 2)	<u>7,317,525</u>	<u>6,148,706</u>
Decrease in net position	(972,207)	(1,689,672)
Net position – beginning of year	<u>152,374,056</u>	<u>154,063,728</u>
Net position – end of year	<u>\$ 151,401,849</u>	<u>\$ 152,374,056</u>

See accompanying notes to financial statements.

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY**

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Receipts from fares	\$ 9,113,437	\$ 9,266,484
Payments to suppliers	(13,859,508)	(13,159,830)
Payments for labor and employee benefits	(42,001,363)	(42,384,094)
Payments for claims and insurance	(1,577,086)	(1,179,515)
Net cash used in operating activities	<u>(48,324,520)</u>	<u>(47,456,955)</u>
Cash flows from noncapital financing activities:		
Sales tax	36,771,641	35,290,373
Federal assistance grants	18,075,424	17,566,323
Other	980,997	1,059,687
Net cash provided by noncapital financing activities	<u>55,828,062</u>	<u>53,916,383</u>
Cash flows from capital and related financing activities:		
Capital grants received	9,350,517	1,656,078
Additions to property and equipment	(9,361,005)	(4,934,094)
Net cash used in capital and related financing activities	<u>(10,488)</u>	<u>(3,278,016)</u>
Cash flows from investing activities:		
Purchases of investment securities	(14,268,000)	(32,791,000)
Proceeds from sale or maturity of investment securities	8,320,000	4,740,000
Interest received	244,272	101,011
Net cash used in investing activities	<u>(5,703,728)</u>	<u>(27,949,989)</u>
Net increase (decrease) in cash and cash equivalents	1,789,326	(24,768,577)
Cash and cash equivalents at beginning of year	9,163,068	33,931,645
Cash and cash equivalents at end of year	<u>\$ 10,952,394</u>	<u>\$ 9,163,068</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (65,446,865)	\$ (61,948,576)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	13,108,866	14,159,053
Changes in assets and liabilities:		
Accounts receivable – other	922,715	168,585
Materials and supplies	449,483	(613,881)
Prepaid expenses and deposits	(241,435)	340,658
Accounts payable	630,674	18,544
Accrued expenses	2,317,944	558,035
Unearned fare revenue	(65,902)	(139,373)
Net cash used in operating activities	<u>\$ (48,324,520)</u>	<u>\$ (47,456,955)</u>

See accompanying notes to financial statements.

# **Greater Dayton Regional Transit Authority**

## **Notes To Financial Statements**

As of and for the years ended December 31, 2014 and 2013

### **(1) The Authority and Reporting Entity**

#### **(a) *The Authority***

The 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 federal or state 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.

Non-exchange 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 2014 will be recognized as revenue in 2014. 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.

# **Greater Dayton Regional Transit Authority**

## **Notes To Financial Statements**

As of and for the years ended December 31, 2014 and 2013

**(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 total expenditures to exceed appropriations without approval from 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, which are reported at amortized cost. Investments with maturities of greater than three months and twelve months or less from the date of acquisition are reported as short-term investments.

**(e) Materials and Supplies**

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

**(f) Capital Assets**

The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of a year. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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:

<b>Description</b>	<b>Estimated useful life</b>
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

Capital assets are removed from the Authority's records when the assets are disposed.

**(g) Compensated Absences**

The liability for compensated absences consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method.

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

#### **(h) Net Position**

Equity is displayed in three components as follows:

**Net Investment in Capital Assets** – 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. Approximately 82% of the equity pertains to the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT).

**Restricted** – The portion of the net position that is 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 restrictions on its net position at December 31, 2014 or 2013.

**Unrestricted** – The portion of net position that does not meet the definition of "restricted" or "net investment in capital assets."

#### **(i) Passenger Fares**

Passenger fares are recorded as revenue at the time services are performed. Fares received in advance of the services are recorded as unearned revenue.

#### **(j) 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.

#### **(k) Federal Operating and Preventative Maintenance Assistance Funds**

Federal operating and preventative maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, are recorded and reflected in income in the period to which they are applicable. The Authority had \$15.4 million in federal funds awarded but not yet used at December 31, 2014 and \$11.8 million at December 31, 2013. These funds can be used in future years for Preventative Maintenance, ADA Operating Assistance and Job Access Reverse Commute (JARC) & New Freedom Operating projects as specified in the grant agreements.

#### **(l) 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 the FTA or ODOT are recorded as capital grants receivable. The authority had \$18.9 million in federal funds awarded but not yet used as of December 31, 2014 and \$14.6 million at December 31, 2013. These funds can be used in future years for Capital Purchases, JARC & New Freedom Capital Projects, and Planning projects as specified in the grant agreements.

## **Greater Dayton Regional Transit Authority**

### **Notes To Financial Statements**

As of and for the years ended December 31, 2014 and 2013

When assets acquired with capital grant funds are disposed of and proceeds exceed \$5,000, 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 equipment or remitted to the granting federal agency.

**(m) *Capital Grant Equity***

On the Statements of Revenues, Expenses, and Changes in Net Position, Capital Grant Equity is the amount of capital grant funding awarded from the FTA and ODOT in each year.

**(n) *Classification of Revenues***

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, special transit fares and contract service. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants.

**(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) *Derivatives***

GASB Statement 53, Accounting and Reporting for Derivative Instruments provides, among other things, the accounting and reporting requirements that the Authority utilizes for its fuel hedging activity.

A futures contract is an agreement that transfers risk from one party to another and is used for risk management. Futures contracts are highly complex and require special expertise and ongoing monitoring to effectively and predictably manage risk exposure.

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

#### **(3) Accounts Receivable**

Accounts receivable at December 31, 2014 and 2013 were as follows:

	<b>2014</b>	<b>2013</b>
Sales tax	\$ 10,397,864	\$ 9,381,115
Federal capital grants	3,351,891	2,759,882
State capital grants	-	2,300,000
Interest	66,042	47,607
Other	617,172	1,545,348
Gross receivables	14,432,969	16,033,952
Less allowance for uncollectibles	(10,243)	(15,703)
Net total receivables	<u><u>\$ 14,422,726</u></u>	<u><u>\$ 16,018,249</u></u>

#### **(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) except for forward pricing mechanisms.

However, Ohio Attorney General Opinion No. 89-080 authorized the use of forward pricing mechanisms, see Note 11 to the Financial Statements for specific details of this program. The fuel futures working capital balance was \$2,278,561 at December 31, 2014 and \$1,221,256 at December 31, 2013. These funds are required by the commodity broker to ensure ongoing trade availability. 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.

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

At December 31, 2014 and 2013, the carrying amount of the Authority's deposits was \$8,673,833 and \$7,941,812, respectively, as compared to bank balances of \$9,417,192 and \$8,004,370, respectively. Included in these amounts are deposits held with STAR Ohio of \$40,369 and \$41,325 at December 31, 2014 and 2013, respectively. Deposits with STAR Ohio are considered investments for risk categorization, with the fair value and cost basis being the same; the maturity being daily and the rating being AAA. Of the bank balances at December 31, 2014 and 2013, \$250,000 was covered by federal depository insurance with the excess balances collateralized by a pool of securities maintained by the Authority's financial institution but not in the name of the Authority.

**(b) Investments**

As of December 31, 2014, the Authority had the following investments and maturities:

Investment Type	Fair Value	Cost	Maturity(1)	Ratings(2)
Federal agency notes and bonds	\$ 13,256,445	13,282,296	1,274	Aaa/AA+
Negotiable certificates of deposit	\$ 23,368,449	23,443,997	723	No Rating

As of December 31, 2013, the Authority had the following investments and maturities:

Investment Type	Fair Value	Cost	Maturity(1)	Ratings(2)
Federal agency notes and bonds	\$ 12,380,400	12,493,906	1,387	Aaa/AA+
Negotiable certificates of deposit	\$ 18,246,878	18,289,854	730	No Rating

(1) Weighted Maturity - Days

(2) Moody's/S&P

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

*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 investment in U.S. governmental agency instruments and bank certificates of deposit is 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 United States 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.

In addition to the foregoing, there is the risk that issuers of investments with call options will exercise said options thus reducing anticipated returns. This is especially true in situations where debt instruments are issued with higher than market rates, and a call provision, in anticipation of a falling market. The call provision serves as protection for the issuer against a flat or falling interest rate market.

### **(5) Board Designations**

Annually the Board of Trustees designates amounts to be required for each of the following:

*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 of two months of budgeted operating expenses.

The designated amounts are detailed below:

	<b>2014</b>	<b>2013</b>
Capital acquisitions	\$ 24,588,397	\$ 17,296,701
Working capital	10,719,773	10,447,698
Self insurance	5,000,000	5,000,000
	<b><u>\$ 40,308,170</u></b>	<b><u>\$ 32,744,399</u></b>

In reference to the Statements of Net Position, these designations are intended to reduce unrestricted net position.

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

#### **(6) Capital Assets**

Capital asset activity for the year ended December 31, 2014 was as follows:

Issue	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
<b>Capital assets not being depreciated:</b>				
Land and land improvements	\$ 7,361,536	\$ -	\$ -	\$ 7,361,536
Construction in progress	<u>1,398,823</u>	<u>7,693,249</u>	<u>1,081,906</u>	<u>8,010,166</u>
Total capital assets not being depreciated	<u>8,760,359</u>	<u>7,693,249</u>	<u>1,081,906</u>	<u>15,371,702</u>
<b>Capital assets being depreciated:</b>				
Revenue producing and service equipment	96,153,300	146,943	5,760	96,294,483
Buildings and structures	<u>122,139,690</u>	<u>1,245,006</u>	<u>-</u>	<u>123,384,696</u>
Office furnishings, shop equipment, and other	<u>19,511,205</u>	<u>1,357,714</u>	<u>1,526,479</u>	<u>19,342,440</u>
Total capital assets being depreciated	<u>237,804,195</u>	<u>2,749,663</u>	<u>1,532,239</u>	<u>239,021,619</u>
<b>Less accumulated depreciation:</b>				
Revenue producing and service equipment	59,004,740	6,729,167	5,760	65,728,147
Buildings and structures	<u>65,050,279</u>	<u>4,928,275</u>	<u>-</u>	<u>69,978,554</u>
Office furnishings, shop equipment, and other	<u>17,202,474</u>	<u>1,451,424</u>	<u>1,526,479</u>	<u>17,127,419</u>
Total accumulated depreciation	<u>141,257,493</u>	<u>13,108,866</u>	<u>1,532,239</u>	<u>152,834,120</u>
Total capital assets being depreciated, net	<u>96,546,702</u>	<u>(10,359,203)</u>	<u>-</u>	<u>86,187,499</u>
<b>Total capital assets, net</b>	<b>\$ 105,307,061</b>	<b>\$ (2,665,954)</b>	<b>\$ 1,081,906</b>	<b>\$ 101,559,201</b>

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

Capital asset activity for the year ended December 31, 2013 was as follows:

Issue	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Capital assets not being depreciated:				
Land and land improvements	\$ 7,361,536	\$ -	\$ -	\$ 7,361,536
Construction in progress	<u>3,513,243</u>	<u>2,717,435</u>	<u>4,831,855</u>	<u>1,398,823</u>
Total capital assets not being depreciated	<u>10,874,779</u>	<u>2,717,435</u>	<u>4,831,855</u>	<u>8,760,359</u>
Capital assets being depreciated:				
Revenue producing and service equipment	99,007,202	162,907	3,016,809	96,153,300
Buildings and structures	<u>118,205,015</u>	<u>5,627,789</u>	<u>1,693,114</u>	<u>122,139,690</u>
Office furnishings, shop equipment, and other	<u>18,695,629</u>	<u>1,609,767</u>	<u>794,191</u>	<u>19,511,205</u>
Total capital assets being depreciated	<u>235,907,846</u>	<u>7,400,463</u>	<u>5,504,114</u>	<u>237,804,195</u>
Less accumulated depreciation:				
Revenue producing and service equipment	54,281,718	7,387,882	2,664,860	59,004,740
Buildings and structures	<u>61,756,727</u>	<u>4,986,667</u>	<u>1,693,115</u>	<u>65,050,279</u>
Office furnishings, shop equipment, and other	<u>16,212,160</u>	<u>1,784,505</u>	<u>794,191</u>	<u>17,202,474</u>
Total accumulated depreciation	<u>132,250,605</u>	<u>14,159,054</u>	<u>5,152,166</u>	<u>141,257,493</u>
Total capital assets being depreciated, net	<u>103,657,241</u>	<u>(6,758,591)</u>	<u>351,948</u>	<u>96,546,702</u>
Total capital assets, net	<u>\$ 114,532,020</u>	<u>\$ (4,041,156)</u>	<u>\$ 5,183,803</u>	<u>\$ 105,307,061</u>

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

#### **(7) Pension Plan**

A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 and 2013, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

F. The 2014 and 2013 member contribution rates were 10% of covered payroll for members in state and local classifications.

G. The 2014 and 2013 employer contribution rate for state and local employers was 14% of covered payroll.

H. Plan members are required to contribute a percentage of their annual covered payroll (10% in 2014 and 2013), and the Authority is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2014 and 2013, 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 ended December 31, 2014 and 2013 were \$4,311,233 and \$4,139,920, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

## **Greater Dayton Regional Transit Authority**

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

#### **(8) Other Post-Employment Benefits**

##### A. Plan Description

In addition to the pension plans as described in note 7, the Ohio Public Employees Retirement System maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS's eligibility requirements for post-employment health care coverage changed for those retiring on and after January 15, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

##### B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014 and 2013, state and local employers contributed at a rate of 14% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members contributions do not fund the OPEB Plan.

## **Greater Dayton Regional Transit Authority**

### **Notes To Financial Statements**

As of and for the years ended December 31, 2014 and 2013

OPERS' Post-Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Plan and in the Combined Plan was 2.0% during calendar year 2014 and 1% during calendar year 2013. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2 percent for both plans, as recommended by the OPERS actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

#### **C. Employer Specific Information**

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. The Authority's contributions for post-employment benefits were \$615,644 and \$295,590 for the years ended December 31, 2014 and 2013, respectively. For 2014 this was estimated by multiplying actual employer contributions for calendar year 2014 by 0.1428 for state and local employees.

#### **D. OPERS Board of Trustees Adopt Changes to the Health Care Plan**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under Senate Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

### **(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; cyber-attacks and natural disasters. The Authority entered into contracts with a number of insurance companies whereby it receives loss coverage in exchange for premiums. Loss limits and deductibles are established for each type of coverage by the specific insurer. At December 31, 2014 and 2013 liability reserves for this type of risk totaled \$1,200,000.

In 2014, the Authority became self-insured for its employees' medical and dental claims, with stop-loss insurance limiting claims liability. At December 31, 2014, the reserves for medical and dental claims were \$2,110,837 & \$17,246, respectively.

The Authority is also self-insured for workers' 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, 2014 and 2013 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 that, based on prior experience, the estimated reserve for claims is adequate to satisfy all claims filed or to be filed for incidents which occurred through December 31, 2014.

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the years ended December 31, 2014 and 2013

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

	<b>2014</b>	<b>2013</b>
Accrued self-insurance - beginning of year	\$ 3,409,819	\$ 3,083,981
Current year additions	871,191	832,136
Claims paid - during year	(601,335)	(506,298)
Accrued self-insurance - end of year	<b>\$ 3,679,675</b>	<b>\$ 3,409,819</b>

### **(10) 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 funded by grants and Authority equity, which includes participation by the FTA (generally 80% except for funding received from the American Recovery and Reinvestment Act which was at 100%) and the Authority (typically 20% depending upon ODOT and other local sources' participation).

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.

In 1998, the Authority entered into contracts with ODOT for two downtown Dayton projects, which included Federal Highway Administration (FHWA) 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.

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, 2014, the Authority continues to monitor the Baseball Stadium project completed in May of 2000 with \$3,027,000 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.

## **Greater Dayton Regional Transit Authority**

### **Notes To Financial Statements**

As of and for the years ended December 31, 2014 and 2013

#### **(11) Energy Forward Pricing Mechanisms**

Pursuant to Ohio Attorney General Opinion No. 89-080 dated October 16, 1989, the Board of Trustees authorized the use of forward pricing mechanisms (e.g. commodity-type futures) as a budget risk reduction tool to manage price variability and cost/budget uncertainty associated with the purchase of diesel fuel.

In April 2008, the Authority began utilizing #2 heating oil futures contracts (contracts) as hedges against open market diesel fuel price fluctuations. In April 2013 the contracts changed to Ultra-Low-Sulfur Diesel (ULSD) futures. The Authority limits contracts to 95% of expected consumption in any one month. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of ULSD as of the date of the contract's creation. Losses of \$127,695 for 2014 were recognized as increases in fuel expense, whereas gains of \$135,947 for 2013 were recognized as decreases in fuel expense. On December 31, 2014, the remaining open contracts had \$1,629,352 of unrealized loss which corresponds to the expected cost of fuel being lower over future fiscal periods.

There are risks attached to this program. The Authority may face increased costs if the spot market is below the closing contract value.

#### **(12) Contingencies and Commitments**

##### **(a) Contingencies**

Federally assisted capital grant programs are subject to audit by the granting agency. Management believes that no material liability, if any, will arise, as a result of audits previously performed or to be performed.

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) Commitments**

At December 31, 2014, the Authority had outstanding purchase commitments of \$6.6 million for various capital projects in progress including the renovation of facilities, capital tire leases, computer software, equipment purchases, and the purchase of dual mode buses. The purchase commitment associated with the dual mode buses represents \$2.6 million of the \$6.6 million.

##### **(c) Litigation**

Management, with the advice of counsel, believes that any ongoing litigation in the normal course of business, will not materially affect the Authority's financial results or financial position.

**Greater Dayton Regional Transit Authority**  
**Schedule of Expenditures of Federal Awards**  
For the year ended December 31, 2014

<b>Federal Grantor Agency Pass-Through Grantor/Program or Cluster Title</b>	<b>Grant Number</b>	<b>Federal CFDA Number</b>	<b>Grant Award Date</b>	<b>Accrual Method Expenditures</b>
<b>FTA - Section 5309 Grants</b>				
	OH-05-0104	20.500	May-13	\$ 1,810
	OH-05-0105	20.500	Jun-13	3,601,068
		<b>5309</b>	<b>Total</b>	<b><u>3,602,878</u></b>
<b>FTA - Section 5337 Grants</b>				
	OH-54-0001	20.525	Jul-13	5,576,353
		<b>5337</b>	<b>Total</b>	<b><u>5,576,353</u></b>
<b>FTA - Section 5307 Grants</b>				
	OH-90-X681	20.507	Aug-10	631,226
	OH-90-X732	20.507	Aug-11	585,566
	OH-90-X768	20.507	Aug-12	477,872
	OH-90-X788	20.507	Aug-13	10,511,962
	OH-95-X143	20.507	Jul-14	3,292,324
		<b>5307</b>	<b>Total</b>	<b><u>15,498,950</u></b>
			Total Federal Transit Cluster	<b><u>24,678,181</u></b>
<b>FTA - JARC/NF Grants</b>				
5316	OH-37-X052	20.516	Aug-08	40,556
5316	OH-37-X063	20.516	Sep-09	407,488
5317	OH-57-X025	20.521	Sep-09	267,155
			Total Transit Services Program Cluster	<b><u>715,199</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 25,393,380</u></b>

## **Greater Dayton Regional Transit Authority**

### **Note to the Schedule of Expenditures of Federal Awards**

**For the Year Ended December 31, 2014**

#### **1. Summary of Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reflects the expenditures of the Greater Dayton Regional Transit Authority (the Authority) under programs financed by the U.S. Government for the year ended December 31, 2014. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally supported programs conducted by those organizations.

The Authority receives funding for preventive maintenance from several different FTA grants. In early 2014, the Authority returned previously reported funds for preventive maintenance to one grant and redrew it from another approved FTA grant. FTA was notified of this adjustment.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Greater Dayton Regional Transit Authority  
Montgomery County  
4 South Main Street  
Dayton, Ohio 45402

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Greater Dayton Regional Transit Authority, Montgomery County, (the Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2015.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Greater Dayton Regional Transit Authority  
Montgomery County  
Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles E. Harris & Associates*

***Charles E. Harris & Associates, Inc.***  
April 3, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Greater Dayton Regional Transit Authority  
Montgomery County  
4 South Main Street  
Dayton, Ohio 45402

To the Board of Trustees:

***Report on Compliance for the Major Federal Program***

We have audited the Greater Dayton Regional Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Greater Dayton Regional Transit Authority's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

***Management's Responsibility***

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal 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 our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Greater Dayton Regional Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Greater Dayton Regional Transit Authority, Montgomery County  
Independent Auditors' Report on Compliance with Requirements  
Applicable to the Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133  
Page 2

***Report on Internal Control Over Compliance***

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Charles E. Harris & Associates*

**Charles E. Harris & Associates, Inc.**

April 3, 2015

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY  
OMB CIRCULAR A-133 SECTION .505  
December 31, 2014**

**Schedule of Findings**

**Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements.
2. There were no material control weaknesses reported at the financial statement level.
3. There were no significant deficiencies disclosed during the audit.
4. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
5. No material control weaknesses were reported for major federal programs.
6. No significant deficiencies in internal control over major programs were disclosed.
7. The auditor's report on compliance for the major federal award program for the Authority expresses an unmodified opinion.
8. No findings required to be reported under Section .510(a) of OMB Circular A-133.
9. The program tested as a major program was Federal Transit Administration Cluster: CFDA #20.500, #20.525 and #20.507.
10. The dollar threshold for distinguishing Type A and Type B programs was \$761,801.
11. The Authority was determined to be a low-risk auditee.

**B. Findings-Financial Statement Audit**

None

**C. Findings-Federal Transit Cluster, CFDA #20.500, 20.525 and #20.507.**

None

#### STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2013, reported no material citations or recommendations.

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