



Dave Yost • Auditor of State



**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY  
DECEMBER 31, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, 2016 and 2015, 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 such 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 opinion.

### ***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, 2016 and 2015, and the changes in its financial position and its cash flows 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* and *schedules of net pension liabilities and pension contributions* 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates 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 September 7, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 7, 2017

**Greater Dayton Regional Transit Authority**  
Management's Discussion and Analysis  
As of and for the years ended December 31, 2016 and 2015  
(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, 2016 and 2015. 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 2016**

- The Authority's total net position increased by \$7.2 million or 5.8% over the course of the year's operations. The most significant factor contributing to the net increase includes \$23.0 million of capital grant funding awarded by the Federal Transit Administration and the Ohio Department of Transportation. The major offsetting factor includes a \$15.8 million loss from ongoing operations.
- Operating revenues decreased \$0.5 million or 5.3% in comparison to 2015 due to lower ridership. This category consists of passenger fares and special transit fares.
- Sales tax revenue increased \$2.2 million or 5.7% over 2015. Sales tax accounts for approximately 63% of all funding for 2016 and 60% for 2015. The annual increases are tied to continued improvements in local economic conditions and increases in the Medicaid Managed Care tax base.
- Federal operating assistance decreased by \$.5 million or 3.0% in comparison to 2015. This relates to how the Authority allocates Federal funds for operating and capital expenditure purposes. The Authority is setting aside more Federal funds for capital expenditure purposes in order to fund revenue vehicle purchases over the next several years.
- Interest income was \$50,000 higher than 2015 due to a steadily improving interest rate environment. Management continues to focus efforts aimed at maximizing interest income.
- Operating expenses, excluding depreciation, increased by \$6.7 million or 11.0% in comparison to 2015. Labor and fringe benefits expense increased \$7.2 million or 16.1% as a result of retroactive wage and benefit payments related to the Amalgamated Transit Union labor contract. Employee health insurance benefit costs have grown from \$6.8 million in 2015 to \$7.5 million in 2016, an increase of \$0.7 million or 9.6%.
- In 2016, the Authority transferred \$875,000 to Greene CATS Public Transit and \$675,000 to Miami County Public Transit to secure \$2,392,000 of future FTA 5307 funds for the purchase of transit buses.

**Financial Highlights for 2015**

- The Authority's total net position decreased by \$2.9 million or 2.3% over the course of the year's operations. The most significant factors contributing to the net decrease includes a \$5.7 million decrease in net capital assets and a \$0.6 million increase in net pension liability. The major offsetting factor is the increase in cash and investments totaling \$3.7 million.
- Operating revenues decreased \$0.4 million or 3.8% in comparison to 2014 due to lower ridership.
- Sales tax revenue increased \$1.6 million or 4.3% over 2014. The increase is tied to continued improvements in local economic conditions and increases in the Medicaid Managed Care tax base.

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- Federal operating assistance decreased by \$2.5 million or 14.1% in comparison to 2014. More funds were purposefully set aside for capital expenditure purposes to occur over the next several years.
- Interest income was \$0.1 million higher than 2014 due to a steadily improving interest rate environment.
- Operating expenses, excluding depreciation, decreased by \$0.5 million or 0.9% in comparison to 2014. Labor and fringe benefits expense increased by \$0.6 million or 1.3% however there were cost savings related to materials and supplies and the utilities and propulsion power categories.

### **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 presents information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the assets and deferred outflows of resources less the liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial capacity of the Authority is improving or deteriorating. Net position increases when revenues exceed expenses. An increase in assets and deferred outflows of resources without a corresponding increase in liabilities and deferred inflows of resources will also result in increased net position, which indicates improved financial condition.

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 and Required Supplementary Information**

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

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**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. In this regard, the requirements of GASB 68 and 71 required the Authority to record an initial additional liability of approximately \$29 million dollars thereby decreasing the Authority's net position by a material amount.

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 2016 we continued to see signs of slow but steady economic growth in our region.

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 operating funds of approximately \$15.1 million in 2016 as compared to \$15.5 million in 2015. This decrease is due to a change in how the Authority allocates Federal funds for operating and capital expenditure purposes. The Authority is setting aside more Federal funds for capital expenditure purposes in order to purchase revenue vehicles over the next several years. It is important to note regarding Federal and State assistance, that 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.

It is important to recognize the contract with the Amalgamated Transit Union (ATU) Local 1385, expired during April 2015. After a four-day strike in January 2017, Management reached an Agreement with the ATU for a new three-year contract. Board Trustees approved the new contract on January 17, 2017.

During 2015, the Authority adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of these financial statements will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pensions and the net pension liability to the reported net position and subtracting deferred outflows related to pensions.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. Under the new standards required by GASB No. 68, the net pension liability equals the Authority's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service, minus plan assets available to pay these benefits.

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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability.

In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval by the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited, not by contract, but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is ultimately responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Authority. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign or identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statements of net position.

In accordance with GASB No. 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for its proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. As a result of implementing GASB No. 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pensions on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$151,401,849 to \$127,022,005.

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<b>Net Position</b>	<b>2016</b>	<b>2015</b>	<b>2014 (Restated)</b>
Current assets	\$ 33,187,336	\$ 36,332,910	\$ 36,213,734
Non-current assets	30,753,470	31,596,783	30,581,446
Capital assets, net	112,179,221	95,888,026	101,559,201
Total assets	<u>176,120,027</u>	<u>163,817,719</u>	<u>168,354,381</u>
Deferred outflows of resources	17,286,235	6,093,859	3,610,502
Current liabilities	16,804,811	14,830,267	16,928,137
Non-current liabilities	44,382,978	30,416,490	28,014,741
Total liabilities	<u>61,187,789</u>	<u>45,246,757</u>	<u>44,942,878</u>
Deferred inflows of resources	875,758	530,850	-
Net position:			
Net Investment in capital assets	112,179,221	95,888,026	101,559,201
Unrestricted	19,163,494	28,245,945	25,462,804
	<u>\$ 131,342,715</u>	<u>\$ 124,133,971</u>	<u>\$ 127,022,005</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, construction in progress, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and other. 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 \$112.2 million as of December 31, 2016, an increase of \$16.3 million from 2015 as capital asset expenditures exceeded depreciation expense during the year. However, approximately 81% of the equity pertains to the FTA and ODOT, whereas approximately 19% 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 (\$83.4 million) and ODOT (\$7.5 million) for their remaining equity in capital equipment as of year-end 2016.

Major capital asset expenditures during 2016 included the following:

- Twenty-four 40-foot diesel buses
- Forty-nine ADA paratransit buses
- Facility upgrades, including bus stop shelters with amenities, office building renovations and service vehicles
- Technology upgrades including a new radio system and new security cameras

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Major capital asset expenditures during 2015 included the following:

- Facility upgrades, including bus stop shelters with amenities, office building renovations, electric trolley system infrastructure and service vehicles
- Radio consoles for operations
- Bike share ("Link") program

**Net Position**

Net position increased \$7.2 million in 2016.

<b>Changes in Net Position</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Operating revenues	\$ 8,520,461	\$ 9,000,802	\$ 9,359,590
Operating expenses excluding depreciation	(67,878,874)	(61,162,414)	(61,697,589)
Depreciation expense	(12,964,784)	(13,621,888)	(13,108,866)
Operating Loss	<u>(72,323,197)</u>	<u>(65,783,500)</u>	<u>(65,446,865)</u>
Non-operating revenues (expenses)			
Sales tax proceeds	41,678,045	39,428,284	37,788,390
Federal assistance	15,073,663	15,531,480	18,075,424
Investment income	450,478	401,690	254,910
Net increase (decrease) in fair value of investments	(75,880)	(11,642)	57,412
Regional transit subsidies	(1,550,000)	-	-
Other	938,400	941,228	980,997
Net non-operating revenues	<u>56,514,706</u>	<u>56,291,040</u>	<u>57,157,133</u>
Capital grant equity	<u>23,017,235</u>	<u>6,604,426</u>	<u>7,317,525</u>
Change in net position	7,208,744	(2,888,034)	(972,207)
Net position, beginning of year	<u>124,133,971</u>	<u>127,022,005</u>	<u>N/A</u>
Net position, end of year	<u>\$ 131,342,715</u>	<u>\$ 124,133,971</u>	<u>\$ 127,022,005</u>

Operating revenues for the Authority were \$8.5 million in 2016, down from \$9.0 million in 2015 as the result of lower ridership.

Operating expenses, excluding depreciation, increased \$6.7 million or 11.0% during 2016. Labor and fringe benefits expense increased by \$7.2 million or 16.1% as a result of retroactive wage and benefit payments related to the Amalgamated Transit Union labor contract. However, there were cost savings related to materials and supplies and contractual services categories.

Non-operating revenues, net, were \$56.5 million during 2016, an increase of \$.2 million or .4% from 2015. Sales tax proceeds were up \$2.2 million, however federal assistance was down \$.5 million. This is due to a change in how the Authority allocates Federal funds between operating and capital expenditure purposes. The Authority is setting aside more Federal funds for capital expenditure purposes in order to fund revenue vehicle purchases over the next several years.

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**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.

It is important to note the program involving fuel futures contracts was discontinued October 2016. Contracts held at that time will most likely be held to maturity, with the final contract expiring November 2018.

Four prototype dual mode buses costing \$1.4 million each remain on site and have been fully 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 confident that the new technology employed in these buses can be utilized in the near 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.

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## Greater Dayton Regional Transit Authority

### Statements of Net Position

As of December 31, 2016 and 2015

	2016	2015
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 5,409,294	\$ 13,936,464
Short-term investments (note 4)	6,711,575	5,786,829
Accounts receivable, less allowance for doubtful accounts of \$12,277 in 2016 and \$13,508 in 2015 (note 3)	15,321,593	12,259,106
Materials and supplies, net	4,010,823	3,112,155
Prepaid expenses and deposits	1,734,051	1,238,356
Total current assets	33,187,336	36,332,910
Non-current assets:		
Long-term investments (note 4)	30,626,253	31,507,271
Net pension asset (notes 2 & 7)	127,217	89,512
Capital assets (note 6):		
Land	7,361,536	7,361,536
Revenue producing and service equipment	109,999,791	101,139,517
Buildings and structures	128,814,424	126,899,707
Office furnishings, shop equipment and other	20,721,296	20,609,006
Construction in progress	17,296,802	4,634,680
Less accumulated depreciation	(172,014,628)	(164,756,420)
Total capital assets - net	112,179,221	95,888,026
Total non-current assets	142,932,691	127,484,809
Total assets	176,120,027	163,817,719
<b><u>Deferred Outflows of Resources</u></b>		
Pensions (notes 2 & 7)	17,286,235	6,093,859
Total assets and deferred outflows of resources	\$ 193,406,262	\$ 169,911,578
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable	\$ 3,448,228	\$ 1,509,028
Accrued payroll and related benefits	6,391,195	4,592,296
Accrued self-insurance (note 9)	5,405,143	7,055,402
Unearned fare revenue	890,936	983,501
Other accrued expenses	669,309	690,040
Total current liabilities	16,804,811	14,830,267
Non-current liabilities		
Accrued compensated absences	1,819,444	1,754,368
Net pension liability (notes 2 & 7)	42,563,534	28,662,122
Total non-current liabilities	44,382,978	30,416,490
Total liabilities	61,187,789	45,246,757
<b><u>Deferred Inflows of Resources</u></b>		
Pensions (notes 2 & 7)	875,758	530,850
Total liabilities and deferred inflows of resources	62,063,547	45,777,607
<b><u>Net Position</u></b>		
Net investment in capital assets (note 2)	112,179,221	95,888,026
Unrestricted (note 5)	19,163,494	28,245,945
Total net position	131,342,715	124,133,971
Total liabilities, deferred inflows of resources and net position	\$ 193,406,262	\$ 169,911,578

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, 2016 and 2015

	2016	2015
Operating revenues		
Passenger fares	\$ 8,520,461	\$ 9,000,802
Operating expenses:		
Labor	30,112,451	28,348,805
Fringe benefits	22,000,271	16,544,202
Contractual services	3,800,149	3,895,687
Materials and supplies	7,944,547	8,678,654
Utilities and propulsion power	1,597,590	1,531,439
Claims and insurance	1,509,632	1,415,610
Other	914,234	748,017
Total operating expenses excluding depreciation	67,878,874	61,162,414
Operating loss before depreciation expense	(59,358,413)	(52,161,612)
Depreciation expense	12,964,784	13,621,888
Total operating expenses	80,843,658	74,784,302
Operating loss	(72,323,197)	(65,783,500)
Nonoperating revenues (expenses):		
Sales tax proceeds (note 2)	41,678,045	39,428,284
Federal assistance	15,073,663	15,531,480
Interest on investments	450,478	401,690
Net decrease in fair value of investments	(75,880)	(11,642)
Regional transit subsidies	(1,550,000)	—
Other	938,400	941,228
Total nonoperating revenues, net	56,514,706	56,291,040
Loss before capital grant equity	(15,808,491)	(9,492,460)
Capital grant equity (note 2)	23,017,235	6,604,426
Increase (decrease) in net position	7,208,744	(2,888,034)
Net position – beginning of year	124,133,971	127,022,005
Net position – end of year	\$ 131,342,715	\$ 124,133,971

See accompanying notes to financial statements.

# Greater Dayton Regional Transit Authority

## Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Receipts from fares	\$ 8,667,079	\$ 9,114,438
Payments to suppliers	(13,267,800)	(15,459,900)
Payments for labor and employee benefits	(49,251,225)	(45,714,111)
Payments for claims and insurance	(1,613,791)	(1,318,019)
Net cash used in operating activities	(55,465,737)	(53,377,592)
Cash flows from noncapital financing activities:		
Sales tax	41,441,781	39,246,288
Federal assistance grants	15,073,663	15,531,480
Regional transit subsidies	(1,550,000)	—
Other	938,401	941,228
Net cash provided by noncapital financing activities	55,903,845	55,718,996
Cash flows from capital and related financing activities:		
Capital grants received	19,959,805	8,871,709
Additions to property and equipment	(29,255,980)	(7,950,713)
Net cash provided by (used in) capital and related financing activities	(9,296,175)	920,996
Cash flows from investing activities:		
Purchases of investment securities	(16,404,192)	(28,599,379)
Proceeds from sale or maturity of investment securities	16,296,000	27,925,000
Interest received	439,089	396,049
Net cash provided by (used in) investing activities	330,897	(278,330)
Net increase (decrease) in cash and cash equivalents	(8,527,170)	2,984,070
Cash and cash equivalents at beginning of year	13,936,464	10,952,394
Cash and cash equivalents at end of year	\$ 5,409,294	\$ 13,936,464
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (72,323,197)	\$ (65,783,500)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	12,964,784	13,621,888
Changes in assets and liabilities:		
Accounts receivable – other	231,180	77,505
Materials and supplies	(898,668)	(95,379)
Prepaid expenses and deposits	(495,695)	515,639
Deferred outflows of resources and net pension asset	(11,230,081)	(2,548,474)
Accounts payable	1,939,200	(915,182)
Accrued expenses	100,420	571,680
Deferred inflows of resources and net pension liability	14,246,320	1,178,231
Net cash used in operating activities	\$ (55,465,737)	\$ (53,377,592)

See accompanying notes to financial statements.

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**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
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**(1) 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) Statements No. 14, 39, and 61, 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 2016 will be recognized as revenue in 2016. 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**  
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**(b) Budgetary Accounting and Control**

The Authority's annual budget 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 original 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 electric trolley wire, 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:

<u>Description</u>	<u>Estimated useful life</u>
Revenue producing and service equipment	3 to 18 years
Buildings and structures	6 to 45 years
Office furnishings, shop equipment, and other	3 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.

**(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 81%

**Greater Dayton Regional Transit Authority**  
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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, 2016 or 2015.

***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. The Authority reports sales tax proceeds after deducting the one percent administrative fee.

**(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 \$1.6 million in federal funds awarded but not yet used at December 31, 2016 and \$8.3 million at December 31, 2015. 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 \$36.3 million in federal funds awarded but not yet used as of December 31, 2016 and \$30.3 million as of December 31, 2015. 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.

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.

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**(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 No. 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.

**(q) Pensions**

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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**(3) Accounts Receivable**

Accounts Receivable at December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Sales Tax	\$ 10,816,124	\$ 10,579,860
Federal capital grants	4,142,038	1,084,608
Interest	65,186	65,213
Other	310,522	542,933
Gross Receivables	<u>15,333,870</u>	<u>12,272,614</u>
Less: Allowance for Doubtful Accounts	<u>(12,277)</u>	<u>(13,508)</u>
Net Total Receivables	<u>\$ 15,321,593</u>	<u>\$ 12,259,106</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.

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 \$1,115,680 at December 31, 2016 and \$2,579,306 at December 31, 2015. 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.

At December 31, 2016 and 2015, the carrying amount of the Authority's deposits was \$4,293,614 and \$11,357,158, respectively, as compared to bank balances of \$5,978,464 and \$12,738,191, respectively. Included in these amounts are deposits held with STAR Ohio of \$3,534,460 and \$40,478 at December 31, 2016 and 2015, respectively. Of the bank balances at December 31, 2016 and 2015, \$250,000 was covered by federal depository insurance with the excess balances

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collateralized by a pool of securities maintained by the Authority's financial institution but not in the name of the Authority.

Deposits with STAR Ohio are considered investments for risk categorization. STAR Ohio is an investment pool managed and administered by the State Treasurer's Office. Participation is offered to subdivisions of the State of Ohio as defined in Section 135.45(F)(2)(a), Ohio Revised Code (ORC), by the State Treasurer for the investment of interim monies of the State and to the State's various custodial accounts. The investment objectives of STAR Ohio are the preservation of capital, the maintenance of liquidity, and providing current income. STAR Ohio seeks to achieve these objectives by investing only in certain high-grade short-term investment instruments, which are authorized for investment by the State of Ohio as specified in Section 135.143 of the ORC.

The STAR Ohio investment securities, other than money market funds, are valued according to the amortized cost method (which approximates fair value) whereby a security is valued at cost, adjusted for the amortization of any premiums or accretion of any discounts, over the period until maturity. Investment in money market funds are valued at quoted market values. The STAR Ohio fund had an average 49 days to maturity at June 30, 2016 and is rated AAAM by Standard and Poor's.

There are no limitations or restrictions on participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to Public Fund Administrators, STAR Ohio's co-administrator, 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

**(b) Investments**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Authority's debt security investments are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

As of December 31, 2016, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity(1)</u>	<u>Ratings (2)</u>
Federal agency notes & bonds	\$5,451,942	5,564,000	1,352	Aaa/AA+
Negotiable certificates of deposit	\$31,885,886	31,975,000	937	No Rating

As of December 31, 2015, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity(1)</u>	<u>Ratings (2)</u>
Federal agency notes & bonds	\$8,723,772	8,762,165	1,364	Aaa/AA+
Negotiable certificates of deposit	\$28,570,328	28,644,667	825	No Rating

(1) Weighted maturity – days

(2) Moody's / S&P

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**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.

**Concentration Risk** is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. The Authority's investment policy places no limits on the amount it may invest in any one issuer. The percentages that each investment represents to the total investments are listed in the following table:

<u>Investment Type</u>	<u>Percentage of Total Investments</u>	
	<u>2016</u>	<u>2015</u>
Federal Home Loan Bank	1.98%	4.53%
Federal Farm Credit Bank	1.51%	2.76%
Federal Home Loan Mortgage Corporation	1.99%	9.17%
Fannie Mae	9.12%	6.93%
Negotiable Certificates of Deposit	85.40%	76.61%

**(5) Board Designations**

Annually the Board of Trustees may designate amounts as required by the Authority's Board Policy #26, Designation of Unrestricted Net Position. For both 2016 and 2015 the Board has designated the entire unrestricted net position for capital purchases as related to the Authority's multi-year Capital Budget.

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**(6) Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

<u>Issue</u>	<u>Balance January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2016</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 7,361,536	\$ -	\$ -	\$ 7,361,536
Construction in progress	4,634,680	13,928,605	1,266,483	17,296,802
Total capital assets not being depreciated	<u>11,996,216</u>	<u>13,928,605</u>	<u>1,266,483</u>	<u>24,658,338</u>
Capital assets being depreciated:				
Revenue producing and service equipment	101,139,517	14,037,973	5,177,699	109,999,791
Buildings and structures	126,899,707	1,914,717	-	128,814,424
Office furnishings, shop equipment, and other	<u>20,609,006</u>	<u>641,167</u>	<u>528,877</u>	<u>20,721,296</u>
Total capital assets being depreciated	<u>248,648,230</u>	<u>16,593,857</u>	<u>5,706,576</u>	<u>259,535,511</u>
Less accumulated depreciation:				
Revenue producing and service equipment	72,101,567	6,873,481	5,177,699	73,797,349
Buildings and structures	74,481,954	4,452,353	-	78,934,307
Office furnishings, shop equipment, and other	<u>18,172,899</u>	<u>1,638,950</u>	<u>528,877</u>	<u>19,282,972</u>
Total accumulated depreciation	<u>164,756,420</u>	<u>12,964,784</u>	<u>5,706,576</u>	<u>172,014,628</u>
Total capital assets being depreciated, net	<u>83,891,810</u>	<u>3,629,073</u>	<u>-</u>	<u>87,520,883</u>
Total capital assets, net	<u>\$ 95,888,026</u>	<u>\$ 17,557,678</u>	<u>\$ 1,266,483</u>	<u>\$ 112,179,221</u>

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Capital asset activity for the year ended December 31, 2015 was as follows:

<u>Issue</u>	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2015</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 7,361,536	\$ -	\$ -	\$ 7,361,536
Construction in progress	<u>8,010,166</u>	<u>2,798,876</u>	<u>6,174,362</u>	<u>4,634,680</u>
Total capital assets not being depreciated	<u>15,371,702</u>	<u>2,798,876</u>	<u>6,174,362</u>	<u>11,996,216</u>
Capital assets being depreciated:				
Revenue producing and service equipment	96,294,483	5,345,852	500,818	101,139,517
Buildings and structures	123,384,696	3,659,320	144,309	126,899,707
Office furnishings, shop equipment, and other	<u>19,342,440</u>	<u>2,333,707</u>	<u>1,067,141</u>	<u>20,609,006</u>
Total capital assets being depreciated	<u>239,021,619</u>	<u>11,338,879</u>	<u>1,712,268</u>	<u>248,648,230</u>
Less accumulated depreciation:				
Revenue producing and service equipment	65,728,147	6,861,559	488,139	72,101,567
Buildings and structures	69,978,554	4,647,709	144,309	74,481,954
Office furnishings, shop equipment, and other	<u>17,127,419</u>	<u>2,112,621</u>	<u>1,067,141</u>	<u>18,172,899</u>
Total accumulated depreciation	<u>152,834,120</u>	<u>13,621,889</u>	<u>1,699,589</u>	<u>164,756,420</u>
Total capital assets being depreciated, net	<u>86,187,499</u>	<u>(2,283,010)</u>	<u>12,679</u>	<u>83,891,810</u>
Total capital assets, net	<u>\$ 101,559,201</u>	<u>\$ 515,866</u>	<u>\$ 6,187,041</u>	<u>\$ 95,888,026</u>

**(7) Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the Statements of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension asset and liability calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included as an accrued liability under current liabilities.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

All Authority employees participate in OPERS, a cost-sharing multiple-employer public employee retirement system comprised of three separate plans: the Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan. All are administered by OPERS. OPERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 145. OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position. That report can be obtained by:

- visiting the OPERS website at [www.opers.org](http://www.opers.org) under Financial / Annual Reports (<https://www.opers.org/financial/reports.shtml#CAFR>),
- writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by
- calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Please see the Plan Statement in the OPERS financial report for additional details.

Age and service requirements for retirement are as follows:

	Transition Groups					
	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
Unreduced Benefits	Any	30	52	31	55	32
			Any	32		
	65	5	66	5	67	5
Reduced Benefits	55	25	55	25	57	25
	60	5	60	5	62	5

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Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. For Groups A & B, the annual benefit is based on 2.2% of FAS multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A & B. Group C is based on the average of the 5 highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Plan. The benefit formula for the defined benefit component of the plan in transition Groups A & B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30 years. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

When a benefit recipient in the Traditional or Combined plans has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the member's contributions, vested employer contributions and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year.

**Funding Policy** – Plan members are required to contribute 10% of their annual covered salary and the Authority is required to contribute 14% of annual covered payroll, which are the current statutory maximum amounts. The rates are the same for all three Plans. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 2.0% for 2016 and 2015. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary.

The Authority's contractually required contribution to OPERS was \$4,116,142 for fiscal year 2016 and \$3,907,776 for fiscal year 2015.

***Net Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability (Traditional Plan) and net pension asset (Combined Plan) reported by the Authority at December 31, 2016 was measured by OPERS at December 31, 2015, and the total pension liability and total pension asset were determined by an actuarial valuation as of that date. The Authority's proportion of

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

both was based on the Authority's share of contributions to each pension plan relative to the contributions of all participating entities. Following is information related to the proportionate shares:

	Traditional Plan		Combined Plan	
	2016	2015	2016	2015
Proportionate Share of the Net Pension Liability/(Asset)	\$42,563,534	\$28,662,122	(\$127,217)	(\$89,512)
Proportion of the Net Pension Liability/Asset - Current Period	0.245730%	0.237641%	0.261431%	0.232485%

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of \$7,132,381 and \$3,188,829, respectively.

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Traditional Plan	Combined Plan	Total
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual experience	\$ 813,176	55,053	868,229
Change in proportionate share	-	7,529	7,529
Total Deferred Inflows of Resources	<u>\$ 813,176</u>	<u>62,582</u>	<u>875,758</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 12,471,974	54,418	12,526,392
Change in proportionate share	643,701	-	643,701
Authority contributions subsequent to the measurement date	4,116,142	-	4,116,142
Total Deferred Outflows of Resources	<u>\$ 17,231,817</u>	<u>54,418</u>	<u>17,286,235</u>

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Traditional Plan	Combined Plan	Total
<b>Deferred Inflows of Resources</b>			
Difference between expected and actual experience	<u>\$ 503,536</u>	<u>27,314</u>	<u>530,850</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,529,326	5,464	1,534,790
Authority contributions subsequent to the measurement date	4,559,069	-	4,559,069
Total Deferred Outflows of Resources	<u>\$ 6,088,395</u>	<u>5,464</u>	<u>6,093,859</u>

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

The deferred outflows and inflows of resources at December 31, 2016 will be recognized in pension expense as follows:

Year ended December 31:	Traditional Plan	Combined Plan	Total
2017	\$ 3,028,180	6,116	3,034,296
2018	3,221,645	6,116	3,227,761
2019	3,221,429	6,116	3,227,545
2020	2,831,245	4,750	2,835,995
2021		(7,830)	(7,830)
Thereafter		(23,432)	(23,432)
	\$ 12,302,499	(8,164)	12,294,335

**Actuarial Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Plan	Combined Plan
Experience study	5 year period ended 12/31/2010	5 year period ended 12/31/2010
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions		
Investment rate of return	8.00%	8.00%
Wage inflation	3.75%	3.75%
Projected salary increases	4.25% - 10.05% (includes wage inflation at 3.75%)	4.25% - 8.05% (includes wage inflation at 3.75%)
Cost of living adjustments	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.80% Simple

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the Voluntary Employee's Beneficiary Association (VEBA) Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4% for 2015 and 6.95% for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

***Discount Rate***

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate***

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's Net Pension Liability/(Asset)			
Traditional Plan	\$67,814,108	\$42,563,534	\$21,265,474
Combined Plan	(\$2,614)	(\$127,217)	(\$227,444)

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

***Changes Between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Authority's net pension liability is expected to be significant.

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

**(a) Plan Description**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a cost-sharing defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees 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/financial/reports.shtml#CAFR>,
- writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by
- calling 614-222-5601 or 800-222-7377.

**(b) Funding Policy**

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

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016 and 2015, State and Local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2% during both calendar years 2016 and 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board 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. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan was 4.0% for 2016 and 4.5% for 2015.

**(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 \$686,023 and \$651,296 for the years ended December 31, 2016 and 2015, respectively. For both years, this was estimated by multiplying actual employer contributions for each calendar year by 0.1428 for State and Local employees.

**(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, 2016 and 2015 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, 2016 medical and dental claims reserves were \$(76,031) and \$6,078, respectively. At December 31, 2015 medical and dental claims reserves were \$1,866,369 and \$25,804 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, 2016 and 2015 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, 2016. Reserves for workers' compensation claims were \$4,275,096 and \$3,963,229 at December 31, 2016 and 2015, respectively.

For 2016, there were no significant changes in insurance coverage from the prior year in any major category of risk. In 2016, medical and dental claims exceeded current year additions to the plans by \$1,942,401 and \$19,726, respectively.

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Accrued self-insurance - beginning of year	\$7,055,402	\$7,007,758
Current year additions	8,482,978	7,958,424
Claims paid - during year	(10,133,237)	(7,910,780)
Accrued self-insurance - end of year	<u>\$5,405,143</u>	<u>\$7,055,402</u>

**(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 it annual allocation. In exchange for its participation the Authority receive 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 Federal Transit Administration (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 project. In 2000, the Authority entered into a contract with Montgomery County and the Arts Center Foundation as a participant in the Shuster Performing Arts Center project in the amount of \$10,342,000.

The Authority has an obligation to ensure that the benefits received from these 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, 2016, the Authority continues to monitor these projects. All of these projects have a 20 year vesting period and would require partial payback of funding based on straight-line amortization, if the benefits received by the Authority are discontinued before the vesting period ends.

**(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) as hedges against open market diesel fuel price fluctuations. In April 2013, the contracts changed to Ultra-Low 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 for 2016 and 2015 were \$1,163,626 and \$1,499,255 respectively as an increase in fuel expense. On December 31, 2016, the remaining open contracts had \$101,854 of

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

unrealized loss which corresponds to the expected cost of fuel being lower over future fiscal periods. The open contracts expire at various times up to and including November 2018.

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

Management and the Board of Trustees discontinued the use of forward pricing mechanisms effective October 2016. The contracts held at that time will be held until the month of expiration, up through and including November 2018.

**(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 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, 2016, the Authority had outstanding purchase commitments of \$26.6 million for various capital projects in progress including the purchase of transit buses; technology upgrades to transit operations for dispatching, communication and monitoring of bus location and performance; electric trolley system infrastructure; and the renovation of facilities.

**(c) Litigation**

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

**(d) Uncertainties**

During 2017, the State of Ohio determined Medicaid Managed Services will no longer be subject to Ohio sales tax. Starting in July 2017, sales tax will not be collected on these services. The 12-month impact of this change to the Authority is approximately \$4 million in lost revenue. There is the possibility, on a short-term basis, the State of Ohio may provide substitute funding for this change.

**(13) Change in Accounting Principle**

For 2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application," GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," and GASB Statement No. 82, "Pension Issues—an Amendment of GASB Statements No. 67, No. 68 and No. 73."

**Greater Dayton Regional Transit Authority**  
Notes to Financial Statements  
As of and for the years ended December 31, 2016 and 2015

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Authority's 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

GASB Statement No. 76 identifies—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Authority's 2016 financial statements; however, there was no effect on beginning net position.

**(14) Subsequent Event**

On January 17, 2017, the Authority reached a new three-year labor agreement with Amalgamated Transit Union (ATU) Local 1385.

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**Greater Dayton Regional Transit Authority**  
Schedules of Required Supplementary Information  
Schedule of the Authority's Proportionate Share of the OPERS Net Pension Liability/(Asset)  
Last Three Years (1)

	<b>As of December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Traditional plan</b>			
Authority's proportion of net pension liability/(asset)	0.245730 %	0.237641 %	0.237641 %
Authority's proportionate share of net pension liability/(asset)	\$ 42,563,534	28,662,122	28,014,741
Authority's covered-employee payroll	\$ 32,564,800	30,888,150	31,845,538
Authority's proportionate share of net pension liability/(asset) as a percentage of its covered-employee payroll	130.70 %	92.79 %	87.97 %
Plan fiduciary net position as a percentage of the total pension liability /(asset)	81.08 %	86.45 %	86.36 %
<b>Combined plan</b>			
Authority's proportion of net pension liability/(asset)	0.261431 %	0.232485 %	0.232485 %
Authority's proportionate share of net pension liability/(asset)	\$ (127,217)	(89,512)	(24,395)
Authority's covered-employee payroll	N/A (3)	N/A (3)	N/A (3)
Authority's proportionate share of net pension liability/(asset) as a percentage of its covered-employee payroll	N/A (3)	N/A (3)	N/A (3)
Plan fiduciary net position as a percentage of the total pension liability /(asset)	116.90 %	114.83 %	N/A (2)

(1) - Information prior to 2013 is not available

(2) - Information prior to 2014 is not available

(3) - Amount is not material and will not be presented

**Greater Dayton Regional Transit Authority**  
**Schedules of Required Supplementary Information**  
**Schedule of Authority's Contributions to OPERS Pension Plans**  
**Last Four Years (1)**

	For the years ended December 31,			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	4,116,142	3,907,776	3,706,578	4,139,920
Contributions in relation to the contractually required contribution	(4,116,142)	(3,907,776)	(3,706,578)	(4,139,920)
Contribution deficiency/(excess)	-	-	-	-
Authority's covered-employee payroll	34,301,180	32,564,800	30,888,150	31,845,538
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

(1) - Information prior to 2013 not available

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grantor</b> <i>Pass Through Grantor</i> Program/Cluster Title	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>			
<i>Direct</i>			
Federal Transit Cluster			
Federal Transit_Capital Investment Grants	20.500	OH-04-0104	\$179,389
	20.500	OH-05-0106	<u>1,092,616</u>
Total Federal Transit_Capital Investment Grants			1,272,005
Federal Transit_Formula Grants	20.507	OH-90-X681	371,042
	20.507	OH-90-X788	7,034,692
	20.507	OH-95-X180	1,564,116
	20.507	OH-2016-012	11,870,216
	20.507	OH-2016-018	<u>4,666,036</u>
Total Federal Transit_Formula Grants			25,506,102
State of Good Repair Grants Program	20.525	OH-54-0001	6,034,641
	20.525	OH-2016-012	1,314,280
	20.525	OH-2016-018	<u>908,275</u>
Total State of Good Repair Grants Program			8,257,196
Bus and Bus Facilities Formula Program	20.526	OH-34-0001	<u>1,066,539</u>
Total Federal Transit Cluster			<u>36,101,842</u>
Transit Services Programs Cluster			
Job Access and Reverse Commute Program	20.516	OH-37-X063	31,678
New Freedom Program	20.521	OH-57-X025	116,042
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OH-16-X022	<u>924,271</u>
Total Transit Services Programs Cluster			1,071,991
Total U.S. Department of Transportation			<u>37,173,833</u>
Total Federal Awards Expenditures			<u><u>\$37,173,833</u></u>

*The accompanying notes are an integral part of this schedule.*

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Greater Dayton Regional Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance.) Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – MATCHING REQUIREMENTS**

Certain federal programs require the Authority to contribute non-federal funds (matching funds) to support the federally-funded programs. The Authority has met its matching requirements. The Schedule does not include the expenditure of non-federal matching funds.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 7, 2017.

### ***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.

### ***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 7, 2017



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect the Greater Dayton Regional Transit Authority's major federal program for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 2016.

**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 each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 7, 2017

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2016**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 1,115,215 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**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  
SEPTEMBER 28, 2017**