GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY

Audit Report

For the Years Ended December 31, 2013 and 2012

CEH Charles E. Harris
& Associates
certified public accountants & government consultants

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Greater Dayton Regional Transit Authority, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

May 28, 2014

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

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GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Audit Report

For the years ended December 31, 2013 and 2012

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITORS' REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Dayton Regional Transit Authority, Montgomery County, Ohio (the Authority), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Dayton Regional Transit Authority, Montgomery County, Ohio as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
April 11, 2014

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

For the years ended December 31, 2013 and 2012

(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, 2013 and 2012. 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 2013

- The Authority's total net position decreased by $1.7 million or 1.1% over the course of the year's operations. Significant factors include a $9.2 million decrease in net capital assets offset by increases in cash and investments totaling $3.1 million, as well as increases in accounts receivable totaling $4.6 million.
- Operating revenues were $9.4 million in 2013, a decrease of $0.3 million from 2012. This change was the result of decreased passenger trips during 2013.
- Sales tax revenue increased $1.1 million or 3.2% over 2012 primarily due to continued improvements in local economic conditions. Historically, sales tax has accounted for approximately 60% of all funding. For 2013, it represented 56% (vs. 55% in 2012). With the elimination of Quantitative Easing management will monitor economic indicators very closely in the coming year.
- Federal operating assistance was nearly unchanged with $17.6 million in revenues for 2013 versus $17.7 million in revenues for 2012. The decrease of $0.1 million was directly tied to wages utilized for the maintenance of fixed assets.
- Interest income was $0.1 million higher than 2012 due to a steadily improving interest rate environment. Management continues to focus efforts aimed at maximizing interest income.
- Other income was virtually unchanged between 2013 and 2012. The $1.1 million of other income during 2013 includes advertising revenue, Greyhound agent commissions, rental revenue and scrap metal sales.
- Operating expenses, excluding depreciation, increased by $1.9 million or 3.4% over 2012. This was primarily due to increases totaling $1.4 million in labor and benefit expense categories.

Financial Highlights for 2012

- The Authority's total net position decreased by $0.5 million or 0.3% over the course of the year's operations. An increase in cash and cash equivalents was offset by decreases in investments and capital assets, resulting in the decrease in total net position.
- Operating revenues were $9.7 million in 2012, an increase of $0.2 million from 2011. This change was the result of increased riders in 2012.
- Sales tax revenue increased $0.9 million or 2.8% more than 2011 primarily due to continued improvements in local economic conditions. Historically, sales tax has accounted for approximately 60% of all funding. For 2012, it represented 55% (vs. 54% in 2011).

- Federal operating assistance increased by $1.0 million or 6.0% over 2011 primarily due to the one-time availability and draw down of additional capitalized operating assistance related to the Americans with Disabilities Act.
- Interest income was $0.1 million or 73.8% lower than 2011 due to extremely low market rates. Management took steps to increase the investment portfolio, but extremely low interest rates held down interest income.
- Other income was $1.0 million or 48.9% lower than 2011 primarily due to a distribution during 2011 of surplus reserves from the Ohio Transit Risk Pool in which the Authority participated prior to December 1, 2006. No further distributions are expected from the Ohio Transit Risk Pool.
- Operating expenses, excluding depreciation, in 2012 increased $1.0 million or 1.9% over 2011. This was primarily due to above average increases in the areas of fuel, supplies, and employee benefits.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

The final required financial statements are the statements of cash flows. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what were the changes in the cash balances during the reporting periods.

Notes to the Financial Statements

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

Financial Highlights of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority better or worse off as a result of this year's activities?" The Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows report information about the Authority's activities in a way that will help answer this question. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating.

One will need to consider other nonfinancial factors such as changes in economic conditions, population decline or growth and new or changed governmental legislation. In this regard, primarily several years ago, the greater Dayton area experienced the loss of numerous businesses and employment opportunities for its residents, our riders. During 2013 and 2012 we continued to see the signs of slow but steady economic growth in our region which positively impacted the financial health of our organization.

As shown in the Statements of Revenue, Expenses and Changes in Net Position, the Authority received from the Federal Government and the State of Ohio approximately $17.6 million and $17.7 million in 2013 and 2012, respectively. Given the financial uncertainty surrounding the economy and the increased pressure on governments to reduce spending and to achieve balanced budgets, the amount of such assistance in future years remains uncertain. Loss or decrease of such assistance would have a significant adverse impact on the financial results of the Authority.

Of significance, is the resolution of contract negotiations with the Amalgamated Transit Union, Local 1385 which was completed in 2013 and removed some of the unknowns of not having a signed agreement. The current contract will expire in April 2015.

Lastly, in June 2012 the Governmental Accounting Standards Board, also referred to as GASB, issued two new standards related to the accounting and financial reporting requirements for pensions. GASB 67 relates specifically to the financial reporting for pension plans. GASB 68 relates to the accounting and financial reporting for pensions. The intent of the standards is to: enhance the decision-usefulness of pension related information in financial reports, to improve transparency and accountability, and to standardize valuation practices to enhance comparability for similar types of pension plans. The Authority plans to implement GASB 68 as of and for the year ended 2015. The potential impact to the Authority's 2015 financial statements is yet to be determined; however, staff will be monitoring implementation steps on an ongoing basis.

Net Position	**2013**	**2012**	**2011**
Current assets	$ 32,845,136	$ 50,320,348	$ 32,886,395
Non-current assets	27,942,278	2,494,572	15,507,235
Capital assets, net	105,307,061	114,532,020	119,486,163
Total assets	166,094,475	167,346,940	167,879,793
Current liabilities	13,720,419	13,283,212	13,360,462
Total liabilities	13,720,419	13,283,212	13,360,462
Net position:			
Net Investment in capital assets	105,307,061	114,532,020	118,566,163
Unrestricted	47,066,995	39,531,708	35,953,168
	$ 152,374,056	$ 154,063,728	$ 154,519,331

Capital Assets

The largest portion of the Authority's net position is its investment in capital assets. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. The Authority uses substantially all of these capital assets to provide public transportation services. 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 $105.3 million as of December 31, 2013, a decrease of $9.2 million from 2012 as depreciation expense and asset write-offs represent more than capital asset expenditures during the year. However, approximately 83% of the equity pertains to the FTA and ODOT, whereas approximately 17% 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 ($77.2 million) and ODOT ($9.9 million) for their remaining equity in capital equipment as of year-end 2013.

Major capital asset expenditures during 2013 included the following:

- Electric Trolley Bus Infrastructure associated with the Brown Street Redevelopment Project
- Facility Projects including a New Paint Booth for Buses and the Construction of a Salt Storage Facility

The Authority's investment in capital assets, net of accumulated depreciation, was $114.5 million as of December 31, 2012, a decrease of $4.0 million from 2011 as depreciation expense was more than asset expenditures during the year. Major capital asset expenditures during 2012 included the following:

- Purchase of four (4) 30' Hybrid Buses
- Construction of Electric Trolley Bus Infrastructure to allow for continued service during reconstruction of I-75 through downtown Dayton

Long-term Debt

The Authority had no outstanding long-term debt at December 31, 2013 or 2012.

Net Position

Net position decreased $1.7 million in 2013 and decreased $0.5 million in 2012.

Changes in Net Position	**2013**	**2012**	**2011**
Operating revenues	$ 9,377,329	$ 9,680,478	$ 9,487,149
Operating expenses			
excluding depreciation	(57,525,474)	(55,643,725)	(54,608,544)
Depreciation expense	(14,159,053)	(13,233,269)	(13,173,373)
Operating Loss	(62,307,198)	(59,196,516)	(58,294,768)
Non-operating revenues (expenses)			
Sales tax proceeds	35,862,228	34,741,418	33,796,413
Federal assistance	17,566,323	17,669,388	16,676,062
State assistance	-	-	65,213
Investment income	144,203	42,306	161,649
Interest expense	-	(49,037)	(97,943)
Net decrease in fair value			
of investments	(163,621)	(14,093)	(94,688)
Other	1,059,687	1,072,595	2,097,058
Net non-operating revenues	54,468,820	53,462,577	52,603,764
Capital grant equity	6,148,706	5,278,336	3,171,217
Change in net position	(1,689,672)	(455,603)	(2,519,787)
Net position, beginning of year	154,063,728	154,519,331	157,039,118
Net position, end of year	$ 152,374,056	$ 154,063,728	$ 154,519,331

Year Ended December 31, 2013

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

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

Non-operating revenues and expenses, net, were $54.5 million during 2013, an increase of $1.0 million or 1.9% from 2012. The increase primarily resulted from a $1.1 million increase in sales taxes.

Year Ended December 31, 2012

Operating revenues for the Authority were $9.7 million in 2012, an increase of $0.2 million or 2.0% from 2011. This change was the result of increased ridership during the course of the year.

Operating expenses, excluding depreciation, increased $1.0 million in 2012, or 1.9% over 2011. This was primarily due to increases in vehicle fuel ($0.2 million), supplies for vehicle maintenance ($0.4 million), and employee health care costs ($0.5 million).

Non-operating revenues and expenses, net, were $53.5 million during 2012, an increase of $0.9 million or 1.6% from 2011. The increase primarily resulted from a $0.9 million increase in sales tax and a $1.0 million increase in Federal assistance. A $1.0 million reduction in other revenue due to a 2011 refund from the Ohio Transit Risk Pool partially offset the increases.

Additional Information of Significance

As described in Note 12 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.

In February 2013 a new three-year contract was approved by the Authority and the Amalgamated Transit Union Local #1385. The contract contains a 2% wage increase for each year of the agreement, which was retroactive to April 1, 2012. The retroactive wage increase is reflected in the 2013 financial statements. The contract removes limitations on the Authority's ability to modify the health plan. In addition, the employee share of the health care premium contribution increases from 12% to 13% in year #2, and goes to 15% in year #3. The new contract limits job protection and benefits for inactive employees.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Greater Dayton Regional Transit Authority, 4 South Main Street, Dayton, Ohio 45402.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Net Position

As of December 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents (note 4)	$ 9,163,068	$ 33,931,645
Short-term investments (note 4)	2,685,000	245,000
Accounts receivable, less allowance for doubtful accounts of $15,703 in 2013 and $13,368 in 2012 (note 3)	16,018,249	11,438,108
Materials and supplies, net	3,466,259	2,852,377
Prepaid expenses and deposits	1,512,560	1,853,218
Total current assets	32,845,136	50,320,348
Non-current assets:		
Long-term investments (note 4)	27,942,278	2,494,572
Capital assets (note 6):		
Land	7,361,536	7,361,536
Revenue producing and service equipment	96,153,300	99,007,202
Buildings and structures	122,139,690	118,205,015
Office furnishings, shop equipment and other	19,511,205	18,695,629
Construction in progress	1,398,823	3,513,243
Less accumulated depreciation	(141,257,493)	(132,250,605)
Total capital assets - net	105,307,061	114,532,020
Total non-current assets	133,249,339	117,026,592
Total assets	$ 166,094,475	$ 167,346,940
Liabilities		
Current liabilities:		
Accounts payable	$ 1,777,345	$ 1,758,801
Accrued payroll and related benefits	5,936,160	5,737,696
Accrued self-insurance (note 10)	4,609,819	4,283,980
Unearned fare revenue	1,008,467	1,147,839
Other accrued expenses	388,628	354,896
Total liabilities	13,720,419	13,283,212
Net Position		
Net investment in capital assets (note 2)	105,307,061	114,532,020
Unrestricted (note 5)	47,066,995	39,531,708
Total net position	152,374,056	154,063,728
Total liabilities and net position	$ 166,094,475	$ 167,346,940

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, 2013 and 2012

	2013	2012
Operating revenues:		
Passenger fares	$ 9,053,312	$ 9,352,484
Special transit fares:		
Board of Education (student transportation)	307,331	309,361
Contract service	16,686	18,633
Total operating revenues	9,377,329	9,680,478
Operating expenses:		
Labor	25,104,915	24,221,157
Fringe benefits	17,478,198	16,923,626
Contractual services	3,610,465	3,658,071
Materials and supplies	7,718,179	7,458,005
Utilities and propulsion power	1,501,681	1,200,235
Claims and insurance	1,505,354	1,605,569
Other	606,682	577,062
Total operating expenses excluding depreciation	57,525,474	55,643,725
Operating loss before depreciation expense	(48,148,145)	(45,963,247)
Depreciation expense	14,159,053	13,233,269
Total operating expenses	71,684,527	68,876,993
Operating loss	(62,307,198)	(59,196,516)
Nonoperating revenues (expenses):		
Sales tax proceeds	35,862,228	34,741,418
Federal assistance	17,566,323	17,669,388
Interest on investments	144,203	42,306
Interest expense	0	(49,037)
Net decrease in the fair value of investments	(163,621)	(14,093)
Other	1,059,687	1,072,595
Total nonoperating revenues, net	54,468,820	53,462,577
Loss before capital grant equity	(7,838,378)	(5,733,939)
Capital grant equity (note 2)	6,148,706	5,278,336
Decrease in net position	(1,689,672)	(455,603)
Net position – beginning of year	154,063,728	154,519,331
Net position – end of year	$ 152,374,056	$ 154,063,728

See accompanying notes to financial statements.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from fares	$ 9,266,484	$ 9,671,278
Payments to suppliers	(13,518,452)	(13,736,033)
Payments for labor and employee benefits	(42,384,094)	(40,824,030)
Payments for claims and insurance	(1,179,515)	(1,258,853)
Net cash used in operating activities	(47,815,577)	(46,147,638)
Cash flows from noncapital financing activities:		
Sales tax	35,648,995	34,659,990
Federal assistance grants	17,566,323	19,076,618
Other	1,059,687	1,072,595
Net cash provided by noncapital financing activities	54,275,005	54,809,203
Cash flows from capital and related financing activities:		
Capital grants received	1,656,078	5,054,786
Additions to property and equipment	(4,934,094)	(8,279,125)
Interest paid on bonds and notes payable	—	(49,037)
Payments of bonds payable	—	(920,000)
Net cash used in capital and related financing activities	(3,278,016)	(4,193,376)
Cash flows from investing activities:		
Purchases of investment securities	(32,791,000)	(33,240,000)
Proceeds from sale or maturity of investment securities	4,740,000	46,005,000
Interest received	101,011	48,353
Net cash provided (used) in investing activities	(27,949,989)	12,813,353
Net increase (decrease) in cash and cash equivalents	(24,768,577)	17,281,542
Cash and cash equivalents at beginning of year	33,931,645	16,650,103
Cash and cash equivalents at end of year	$ 9,163,068	$ 33,931,645
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (62,307,198)	$ (59,196,516)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	14,159,053	13,233,269
Changes in assets and liabilities:		
Accounts receivable – other	168,585	(1,110,651)
Materials and supplies	(613,881)	248,990
Prepaid expenses and deposits	340,658	(165,478)
Accounts payable	18,544	398,372
Accrued expenses	558,035	617,578
Unearned fare revenue	(139,373)	(173,202)
Net cash used in operating activities	$ (47,815,577)	$ (46,147,638)

See accompanying notes to financial statements.

(1) The Authority and Reporting Entity

(a) The Authority

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2013 will be recognized as revenue in 2013. 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.

(b) Budgetary Accounting and Control

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

(c) Cash and Cash Equivalents

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

(d) Investments

Investments are reported at fair value, based on quoted market prices, which are reported at amortized cost. Investments with maturities of greater than three months and twelve months or less from the date of acquisition are reported as short-term investments.

(e) Board Designations

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

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

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

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

(f) Materials and Supplies

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

(g) Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than $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:

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

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

(h) 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.

(i) 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 83% 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, 2013 or 2012.

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

(j) 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.

(k) Sales Taxes

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

(l) Federal 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 $11.8 million in federal funds awarded but not yet used as of year-end December 31, 2013 and $8.2 million at December 31, 2012. 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.

(m) Capital Grants

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from the FTA or ODOT are recorded as capital grants receivable. The authority had $14.6 million in federal funds awarded but not yet used as of year-end December 31, 2013 and $10.2 million at December 31, 2012. 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.

(n) 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.

(o) 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 and 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.

(p) 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.

(q) Derivatives

The Governmental Accounting Standards Board (GASB) issued Statement No. 53, Accounting and Reporting for Derivative Instruments effective for fiscal years beginning after June 15, 2009. The Statement provides, among other things, the accounting and reporting requirements that the Authority will utilize for its future fuel hedging activity.

A derivative instrument is an agreement that transfers risk from one party to another and is typically used for risk management or investment purposes. The use of derivative instruments by governmental entities has become significantly more prevalent over the past several years. These instruments, though sometimes highly complex and requiring special expertise and ongoing monitoring, effectively and predictably manage risk exposure.

(3) Accounts Receivable

Accounts receivable at December 31, 2013 and 2012 were as follows:

	2013	2012
Sales Tax	$ 9,381,115	$ 9,167,882
Federal Capital Grants	2,759,882	567,253
State Capital Grants	2,300,000	-
Interest	47,607	4,742
Other	1,545,348	1,711,599
Gross Receivables	16,033,952	11,451,476
Less Allowance for Uncollectibles	(15,703)	(13,368)
Net Total Receivables	$ 16,018,249	$ 11,438,108

(4) Cash and Investments

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

However, Ohio Attorney General Opinion No. 89-080 authorized the use of forward pricing mechanisms, see Note 12 to the Financial Statements for specific details of this program. The fuel futures working capital balance was $1,221,256 at December 31, 2013 and $1,085,310 at December 31, 2012. 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, 2013 and 2012, the carrying amount of the Authority's deposits was $7,941,812 and $32,846,335, respectively, as compared to bank balances of $8,004,370 and $33,441,679, respectively. Included in these amounts are deposits held with STAR Ohio of $41,325 and $200,360 at December 31, 2013 and 2012, respectively. Deposits with STAR Ohio are considered investments for risk categorization, with the fair value and cost basis being the same; the maturity being daily and the rating being AAAm. Of the bank balances at December 31, 2013 and 2012, $250,000 was covered by federal depository insurance with the excess balances collateralized by a pool of securities maintained by the Authority's financial institution but not in the name of the Authority.

(b) Investments

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

Investment Type		Fair Value	Cost	Maturity(1)	Ratings(2)
Federal Agency Notes & Bonds	$	12,380,400	12,493,906	1,387	Aaa/AA+
CDARS (3)	$	18,246,878	18,289,854	730	No Rating

As of December 31, 2012, the Authority had the following investments and maturities:

Investment Type		Fair Value	Cost	Maturity(1)	Ratings(2)
Federal Agency Notes & Bonds	$	2,249,572	2,251,450	1,468	AAA/Aaa
CDARS (3)	$	490,000	490,000	303	No Rating

(1) Weighted Maturity - Days
(2) Moody's/S&P
(3) Certificate of Deposit Account Registry Service

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

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

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

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

(5) Board Designations

The Board of Trustees has designated the following amounts to be set aside for the following purposes:

	2013	2012
Capital Acquisitions	$ 17,296,701	$ 15,206,013
Working Capital	10,447,698	10,110,461
Self Insurance	5,000,000	5,000,000
	$ 32,744,399	$ 30,316,474

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

(6) Capital Assets

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

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

Capital asset activity for the year ended December 31, 2012 was as follows:

Issue	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets not being depreciated:				
Land and land improvements	$ 7,361,536	$ -	$ -	$ 7,361,536
Construction in progress	3,368,576	3,055,901	2,911,234	3,513,243
Total capital assets not being depreciated	10,730,112	3,055,901	2,911,234	10,874,779
Capital assets being depreciated:				
Revenue producing and service equipment	99,519,031	2,416,384	2,928,213	99,007,202
Buildings and structures	117,040,168	3,826,445	2,661,598	118,205,015
Office furnishings, shop equipment, and other	24,029,627	1,891,629	7,225,627	18,695,629
Total capital assets being depreciated	240,588,826	8,134,458	12,815,438	235,907,846
Less accumulated depreciation:				
Revenue producing and service equipment	49,309,534	7,900,397	2,928,213	54,281,718
Buildings and structures	60,595,045	3,823,280	2,661,598	61,756,727
Office furnishings, shop equipment, and other	21,928,196	1,509,591	7,225,627	16,212,160
Total accumulated depreciation	131,832,775	13,233,268	12,815,438	132,250,605
Total capital assets being depreciated, net	108,756,051	(5,098,810)	-	103,657,241
Total capital assets, net	$ 119,486,163	$ (2,042,909)	$ 2,911,234	$ 114,532,020

(7) Bonds Payable

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

For the year ended December 31, 2013 there was no bond related activity.

Bond activity for the year ended December 31, 2012 was as follows:

Issue	Interest Rate	Balance January 1 2012	Additions	Deletions	Balance December 31, 2012
Series 1997	4.15 to 5.55%	$ 920,000	$ -	$ 920,000	$ -

(8) Pension Plan

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

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

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

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

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

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans. Members in the state and local divisions may participate in all three plans.

The 2013 and 2012 member contribution rates were 10% of covered payroll for members in state and local classifications. The 2013 and 2012 employer contribution rate for state and local employers was 14% of covered payroll.

F. Plan members are required to contribute a percentage of their annual covered salary (10% in 2013 and 2012), and the Authority is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2013 and 2012, of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the Board. The Authority's contributions to OPERS for the years ended December 31, 2013, 2012 and 2011 were $4,139,920, $4,057,542 and $4,051,757, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(9) Other Post-Employment Benefits

A. Plan Description

In addition to the pension plans as described in note 8, the Ohio Public Employees Retirement System maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013 and 4% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013 and 4% during calendar year 2012. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. Employers will be notified if the portion allocated to health care changes during calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. Employer Specific Information.

The rates stated in Section B, above, are the contractually required contribution rates for OPERS. The Authority's contributions for post-employment benefits were $295,590, $1,145,679 and $1,157,587 for the years ended December 31, 2013, 2012 and 2011, respectively. For 2013 this was estimated by multiplying actual employer contributions for calendar year 2013 by 0.0714 for state and local employees.

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

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

(10) 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, 2013 and 2012 liability reserves for this type of risk totaled $1,200,000.

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, 2013 and 2012 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, 2013.

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

	2013	2012
Accrued self-insurance - beginning of year	$ 3,083,981	$ 2,947,729
Current year additions	832,136	864,785
Claims paid - during year	(506,298)	(728,533)
Accrued self-insurance - end of year	$ 3,409,819	$ 3,083,981

(11) Capital and Other Grants

The Authority has a capital improvement program, which is primarily funded through capital grants. The purpose of this program is to provide various improvements to the transit system. The total amount approved under the capital improvement program is to be funded by grants and Authority equity, which includes participation by the FTA (generally 80% except for funding received from the American Recovery and Reinvestment Act which was at 100%) and the Authority (typically 20% depending upon ODOT and other local sources' participation).

The Authority participates in community based transit improvement projects where management deems there to be a public transit related benefit. The Authority serves as a funding conduit for specific Federal/State funding, and/or provides Federal/State/Local funding out of its annual allocation. In exchange for its participation, the Authority receives benefits, which may include operating rights, exclusive use agreements, or other forms of consideration.

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

The Authority has an obligation to ensure that the benefits received from such projects continue for a time period deemed appropriate to ensure Federal/State funds have fully vested in the project and that no Federal/State payback would be required by the sub-recipient. At December 31, 2013, the Authority continues to monitor the Baseball Stadium project completed in May of 2000 with $3,027,000 in Federal funding and the Schuster Performing Arts Center project completed in 2003 with $10,342,330 in Federal funding. All of these projects have a 20-year vesting period and would require a partial payback of funding, based on straight line amortization, if the benefits received by the Authority are discontinued before the vesting period ends.

(12) Energy Forward Pricing Mechanisms

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

In April 2008, the Authority began utilizing #2 heating oil futures contracts (contracts) as hedges against open market diesel fuel price fluctuations. 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 #2 heating oil as of the date of the contract's creation. Gains of $135,947 and $250,510 for 2013 and 2012, respectively, were recognized as decreases in fuel expense. On December 31, 2013, the remaining open contracts had $197,950 of unrealized gain which corresponds to the expected cost of fuel being higher over future fiscal periods.

There are certain risks attached to this program. The Authority may face increased costs if: 1) fuel consumption falls below the contract levels, and 2) if the spot market is below the closing contract value.

(13) Contingencies and Commitments

(a) Contingencies

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

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

(b) Commitments

At December 31, 2013, the Authority had outstanding purchase commitments of $8.8 million for various capital projects in progress including the renovation of facilities, work on the overhead wire system, capital tire leases, computer software, equipment purchases, and the purchase of dual mode buses. The purchase commitment associated with the dual mode buses represents $5.7 million of the $8.8 million.

(c) Litigation

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

Greater Dayton Regional Transit Authority

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2013

Federal Grantor Agency Pass-Through Grantor/Program or Cluster Title Grantor/Program Title	Grant Number	Federal CFDA Number	Grant Award Date	Accrual Method Expenditures
FTA - Section 5309 Grants				
	OH-05-0102	20.500	Aug-10	$ 429,306
	OH-05-0104	20.500	Aug-11	419,296
	OH-05-0106	20.500	Aug-12	4,338,353
	OH-54-0001	20.525	Jul-13	257,236
		5309	**Total**	**5,444,191**
FTA - Section 5307 Grants				
	OH-90-X664	20.507	Aug-09	45,310
	OH-90-X681	20.507	Aug-10	11,068
	OH-90-X732	20.507	Aug-11	1,146,791
	OH-90-X768	20.507	Aug-12	4,591,691
	OH-90-X788	20.507	Aug-13	7,451,288
	OH-95-X092	20.507	Aug-12	2,703,024
		5307	**Total**	**15,949,172**
		Total Federal Transit Cluster		**21,393,363**
FTA - JARC/NF Grants				
5316	OH-37-X052	20.516	Aug-08	33,020
5316	OH-37-X063	20.516	Sep-09	179,989
5317	OH-57-X025	20.521	Sep-09	162,741
	Total Transit Services Program Cluster			**375,750**
TOTAL EXPENDITURES TO FEDERAL AWARDS				**$21,769,113**

Greater Dayton Regional Transit Authority

Note to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2013

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Greater Dayton Regional Transit Authority under programs financed by the U.S. Government for the year ended December 31, 2013. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

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

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Greater Dayton Regional Transportation Authority, Montgomery County, (the Authority) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 11, 2014.

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 opinions 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.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
April 11, 2014

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Greater Dayton Regional Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Greater Dayton Regional Transit Authority's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major programs. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2013.

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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

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

Charles E. Harris & Associates, Inc.
April 11, 2014

GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2013

Schedule of Findings

Summary of Audit Results

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

2. There were no material control weaknesses reported at the financial statement level.

3. There were no significant deficiencies disclosed during the audit.

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

5. No material control weaknesses were reported for major federal programs.

6. No significant deficiencies in internal control over major programs were disclosed.

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

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

9. The program tested as a major program was Federal Transit Administration Cluster: CFDA #20.500, #20.507 and #20.525.

10. The dollar threshold for distinguishing Type A and Type B programs was $653,073.

11. The Authority was determined to be a low-risk auditee.

B. Findings-Financial Statement Audit

None

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

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2012, reported no material citations or recommendations.

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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
JUNE 10, 2014

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov