



Dave Yost • Auditor of State



**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY  
DECEMBER 31, 2015**

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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 year ended December 31, 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 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 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, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standard (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

**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 July 6, 2016, 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.

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

July 6, 2016

## Greater Dayton Regional Transit Authority

### Management's Discussion and Analysis

For the year ended December 31, 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 year ended December 31, 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 2015

As more fully described in Note 8 to the financial statements, in 2015 the Authority implemented requirements of recently issued Governmental Accounting Standards Board (GASB) numbers 68 and 71. As a result, the 2014 net position was decreased by \$24.4 million dollars. The following comparisons between 2015 and 2014 are after restating the January 1, 2015 balance in accordance with the requirements.

- 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. This category consists of passenger fares and special transit fares.
- Sales tax revenue increased \$1.6 million or 4.3% over 2014. Sales tax accounts for approximately 60% of all funding for 2015 and 57% for 2014. The increase is tied to continued improvements in local economic conditions and increases in the Medicaid Managed Care tax base.
- Federal operating assistance decreased by \$2.5 million or 14.1% in comparison to 2014. This is due to a change in how the Authority allocates Federal funds for operating purposes 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 five years.
- Interest income was \$0.1 million higher than 2014 due to a steadily improving interest rate environment. Management continues to focus efforts aimed at maximizing interest income.
- 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.



## **Greater Dayton Regional Transit Authority**

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

For the year ended December 31, 2015

(Unaudited)

#### **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 statement 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 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 position 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.

## **Greater Dayton Regional Transit Authority**

### Management's Discussion and Analysis

For the year ended December 31, 2015

(Unaudited)

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

One of the most important questions asked about the Authority's finances is "Is the Authority better or worse off as a result of this year's activities?" The Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows report information about the Authority's activities in a way that will help answer this question. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. In this regard, the requirements of GASB 68 and 71 required the Authority to record an additional liability of approximately \$29.0 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 2015 we continue 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 \$15.5 million in 2015, as compared to \$18.1 million in 2014. 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 five 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 that the current contract with the Amalgamated Transit Union, Local 1385, expired during April 2015. Management is currently in negotiations in order to establish a new contract.

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 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 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 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 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.

## **Greater Dayton Regional Transit Authority**

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

For the year ended December 31, 2015

(Unaudited)

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 of 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 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 statement of net position.

In accordance with GASB 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 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.

## Greater Dayton Regional Transit Authority

### Management's Discussion and Analysis

For the year ended December 31, 2015

(Unaudited)

| <b>Net Position</b>               | <b>2015</b>           | <b>(Restated) 2014</b> |
|-----------------------------------|-----------------------|------------------------|
| Current assets                    | \$ 36,332,910         | \$ 36,213,734          |
| Non-current assets                | 31,596,783            | 30,581,446             |
| Capital assets, net               | <u>95,888,026</u>     | <u>101,559,201</u>     |
| Total assets                      | <u>163,817,719</u>    | <u>168,354,381</u>     |
| Deferred outflows of resources    | 6,093,859             | 3,610,502              |
| Current liabilities               | 16,584,635            | 16,928,137             |
| Net pension liability             | <u>28,662,122</u>     | <u>28,014,741</u>      |
| Total liabilities                 | <u>45,246,757</u>     | <u>44,942,878</u>      |
| Deferred inflows of resources     | 530,850               | -                      |
| Net position:                     |                       |                        |
| Net Investment in capital assets  |                       |                        |
| Federal Transit Administration    | 70,575,435            | 74,616,694             |
| Ohio Department of Transportation | 8,123,597             | 8,883,275              |
| Authority                         | 17,188,994            | 18,059,232             |
| Unrestricted                      | <u>28,245,945</u>     | <u>25,462,864</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 \$95.9 million as of December 31, 2015, a decrease of \$5.7 million from 2014 as depreciation expense exceeded capital asset expenditures during the year. However, approximately 82% of the equity pertains to the FTA and ODOT, whereas approximately 18% relates to local match dollars provided by the Authority. The equity related to the FTA and ODOT cannot be liquidated to provide a source of cash flow, as any premature sale would require payments to both the FTA (\$70.6 million) and ODOT (\$8.1 million) for their remaining equity in capital equipment as of year-end 2015.

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

**Greater Dayton Regional Transit Authority**

Management's Discussion and Analysis

For the year ended December 31, 2015

(Unaudited)

**Net Position**

Net position decreased \$2.9 million in 2015.

| <b>Changes in Net Position</b>        | <b>2015</b>           | <b>2014</b>           |
|---------------------------------------|-----------------------|-----------------------|
| Operating revenues                    | \$ 9,000,802          | \$ 9,359,590          |
| Operating expenses                    |                       |                       |
| excluding depreciation                | (61,162,414)          | (61,697,589)          |
| Depreciation expense                  | (13,621,888)          | (13,108,866)          |
| Operating Loss                        | <u>(65,783,500)</u>   | <u>(65,446,865)</u>   |
| Non-operating revenues (expenses)     |                       |                       |
| Sales tax proceeds                    | 39,428,284            | 37,788,390            |
| Federal assistance                    | 15,531,480            | 18,075,424            |
| Investment income                     | 401,690               | 254,910               |
| Net increase (decrease) in fair value |                       |                       |
| of investments                        | (11,642)              | 57,412                |
| Other                                 | 941,228               | 980,997               |
| Net non-operating revenues            | <u>56,291,040</u>     | <u>57,157,133</u>     |
| Capital grant equity                  | <u>6,604,426</u>      | <u>7,317,525</u>      |
| Change in net position                | (2,888,034)           | (972,207)             |
| Net position, beginning of year       | <u>127,022,005</u>    | N/A                   |
| Net position, end of year             | <u>\$ 124,133,971</u> | <u>\$ 127,022,005</u> |

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$3,610,502 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$3,188,829. Consequently, in order to compare 2015 total operating expenses to 2014, the following adjustments are need:

|  |                   |
|--|-------------------|
| Total 2015 Operating Expenses under GASB 68          | \$ 74,784,302     |
| Pension Expense under GASB 68                        | (3,188,829)       |
| 2015 contractually required contribution             | 3,893,789         |
| Adjusted 2015 Operating Expense                      | <u>75,489,262</u> |
| Total 2014 Operating Expense under GASB 27           | <u>74,806,455</u> |
| Increase in Operating Expense not related to pension | <u>\$ 682,807</u> |

## **Greater Dayton Regional Transit Authority**

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

For the year ended December 31, 2015

(Unaudited)

Operating revenues for the Authority were \$9.0 million in 2015, down from \$9.4 million in 2014 as the result of lower ridership.

Operating expenses, excluding depreciation, decreased \$0.5 million or 0.9% during 2015. 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.

Non-operating revenues, net, were \$56.3 million during 2015, a decrease of \$0.9 million or 1.5% from 2014. Sales tax proceeds were up \$1.6 million, however federal assistance was down \$2.5 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 five years.

#### **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.

The Authority concluded the final year of a three-year contract with the Amalgamated Transit Union Local #1385 (ATU). The ATU contract expired in April 2015. Management is currently in negotiations in order to establish a new contract.

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

#### **Requests for Information**

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

# Greater Dayton Regional Transit Authority

## Statement of Net Position

As of December 31, 2015

|  | 2015           |
|--|----------------|
| <b><u>Assets</u></b>   |                |
| Current assets:  |                |
| Cash and cash equivalents (note 5)   | \$ 13,936,464  |
| Short-term investments (note 5)  | 5,786,829      |
| Accounts receivable, less allowance for doubtful accounts of<br>\$13,508 in 2015 and \$10,243 in 2014 (note 4) | 12,259,106     |
| Materials and supplies, net  | 3,112,155      |
| Prepaid expenses and deposits  | 1,238,356      |
| Total current assets   | 36,332,910     |
| Non-current assets:  |                |
| Long-term investments (note 5)   | 31,507,271     |
| Net pension asset (notes 2, 3 & 8)   | 89,512         |
| Capital assets (note 7):   |                |
| Land   | 7,361,536      |
| Revenue producing and service equipment  | 101,139,517    |
| Buildings and structures   | 126,899,707    |
| Office furnishings, shop equipment and other   | 20,609,006     |
| Construction in progress   | 4,634,680      |
| Less accumulated depreciation  | (164,756,420)  |
| Total capital assets - net   | 95,888,026     |
| Total non-current assets   | 127,484,809    |
| <b><u>Deferred Outflows of Resources</u></b>   |                |
| Pensions (notes 2, 3 & 8)  | 6,093,859      |
| Total assets and deferred outflows of resources  | \$ 169,911,578 |
| <b><u>Liabilities</u></b>  |                |
| Current liabilities:   |                |
| Accounts payable   | \$ 1,509,028   |
| Accrued payroll and related benefits   | 6,346,664      |
| Accrued self-insurance (note 10)   | 7,055,402      |
| Unearned fare revenue  | 983,501        |
| Other accrued expenses   | 690,040        |
| Total current liabilities  | 16,584,635     |
| Net pension liability (notes 2, 3 & 8)   | 28,662,122     |
| Total liabilities  | 45,246,757     |
| <b><u>Deferred Inflows of Resources</u></b>  |                |
| Pensions (notes 2, 3 & 8)  | 530,850        |
| Total liabilities and deferred inflows of resources  | 45,777,607     |
| <b><u>Net Position</u></b>   |                |
| Net investment in capital assets (note 2)  | 95,888,026     |
| Unrestricted (note 6)  | 28,245,945     |
| Total net position   | 124,133,971    |
| Total liabilities, deferred inflows of resources and net position  | \$ 169,911,578 |

See accompanying notes to financial statements.

## Greater Dayton Regional Transit Authority

### Statement of Revenues, Expenses, and Changes in Net Position

For the year ended December 31, 2015

|  | 2015           |
|--|----------------|
| Operating revenues:                                      |                |
| Passenger fares  | \$ 8,698,517   |
| Special transit fares:                                   |                |
| Board of Education (student transportation)              | 279,870        |
| Contract service   | 22,415         |
| Total operating revenues                                 | 9,000,802      |
| Operating expenses:                                      |                |
| Labor  | 28,348,805     |
| Fringe benefits  | 16,544,202     |
| Contractual services                                     | 3,895,687      |
| Materials and supplies                                   | 8,678,654      |
| Utilities and propulsion power                           | 1,531,439      |
| Claims and insurance                                     | 1,415,610      |
| Other  | 748,017        |
| Total operating expenses excluding depreciation          | 61,162,414     |
| Operating loss before depreciation expense               | (52,161,612)   |
| Depreciation expense                                     | 13,621,888     |
| Total operating expenses                                 | 74,784,302     |
| Operating loss   | (65,783,500)   |
| Nonoperating revenues (expenses):                        |                |
| Sales tax proceeds                                       | 39,428,284     |
| Federal assistance                                       | 15,531,480     |
| Interest on investments                                  | 401,690        |
| Net increase (decrease) in the fair value of investments | (11,642)       |
| Other  | 941,228        |
| Total nonoperating revenues, net                         | 56,291,040     |
| Loss before capital grant equity                         | (9,492,460)    |
| Capital grant equity (note 2)                            | 6,604,426      |
| Decrease in net position                                 | (2,888,034)    |
| Net position – beginning of year (Restated)              | 127,022,005    |
| Net position – end of year                               | \$ 124,133,971 |

See accompanying notes to financial statements.



# Greater Dayton Regional Transit Authority

## Statement of Cash Flows

For the year ended December 31, 2015

|   | <b>2015</b>     |
|---|-----------------|
| Cash flows from operating activities:   |                 |
| Receipts from fares   | \$ 9,114,438    |
| Payments to suppliers   | (15,459,900)    |
| Payments for labor and employee benefits  | (45,714,111)    |
| Payments for claims and insurance   | (1,318,019)     |
| Net cash used in operating activities   | (53,377,592)    |
| Cash flows from noncapital financing activities:                                  |                 |
| Sales tax   | 39,246,288      |
| Federal assistance grants   | 15,531,480      |
| Other   | 941,228         |
| Net cash provided by noncapital financing activities                              | 55,718,996      |
| Cash flows from capital and related financing activities:                         |                 |
| Capital grants received   | 8,871,709       |
| Additions to property and equipment   | (7,950,713)     |
| Net cash provided (used) in capital and related financing activities              | 920,996         |
| Cash flows from investing activities:   |                 |
| Purchases of investment securities  | (28,599,379)    |
| Proceeds from sale or maturity of investment securities                           | 27,925,000      |
| Interest received   | 396,049         |
| Net cash used in investing activities   | (278,330)       |
| Net increase (decrease) in cash and cash equivalents                              | 2,984,070       |
| Cash and cash equivalents at beginning of year                                    | 10,952,394      |
| Cash and cash equivalents at end of year  | \$ 13,936,464   |
| Reconciliation of operating loss to net cash used in operating activities:        |                 |
| Operating loss  | \$ (65,783,500) |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                 |
| Depreciation  | 13,621,888      |
| Changes in assets and liabilities:  |                 |
| Accounts receivable – other   | 77,505          |
| Materials and supplies  | (95,379)        |
| Prepaid expenses and deposits   | 515,639         |
| Deferred outflows of resources and net pension asset                              | (2,548,474)     |
| Accounts payable  | (915,182)       |
| Accrued expenses  | 571,680         |
| Deferred inflows of resources and net pension liability                           | 1,178,231       |
| Net cash used in operating activities   | \$ (53,377,592) |

See accompanying notes to financial statements.

# Greater Dayton Regional Transit Authority

## Notes To Financial Statements

As of and for the year ended December 31, 2015

### (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 2015 will be recognized as revenue in 2015. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

# Greater Dayton Regional Transit Authority

## Notes To Financial Statements

As of and for the year ended December 31, 2015

**(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 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<br/>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 | 5 to 8 years                     |

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

**(g) Compensated Absences**

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

## Greater Dayton Regional Transit Authority

### Notes To Financial Statements

As of and for the year ended December 31, 2015

**(h) Net Position**

Equity is displayed in three components as follows:

**Net Investment in Capital Assets** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Approximately 82% of the equity pertains to the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT).

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

**(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 \$8.3 million in federal funds awarded but not yet used 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 \$30.3 million in federal funds awarded but not yet used 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.

# Greater Dayton Regional Transit Authority

## Notes to Financial Statements

As of and for the year ended December 31, 2015

When assets acquired with capital grant funds are disposed of and proceeds exceed \$5,000, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property may be used to acquire like-kind replacement equipment or remitted to the granting federal agency.

**(m) Capital Grant Equity**

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

**(n) Classification of Revenues**

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

**(o) Estimates**

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

**(p) Derivatives**

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

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

**(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.

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

#### (3) Change in Accounting Principle and Restatement of Net Position

For 2015, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. The implementation of this pronouncement had the following effect on net position as reported at December 31, 2014:

|   |                             |
|---|-----------------------------|
| Net position December 31, 2014          | \$151,401,849               |
| Adjustments:                            |                             |
| Net Pension Asset                       | 24,395                      |
| Deferred Outflows of Resources-Pensions | 3,610,502                   |
| Net Pension Liability                   | <u>(28,014,741)</u>         |
| Restated Net Position December 31, 2014 | <u><u>\$127,022,005</u></u> |

#### (4) Accounts Receivable

Accounts receivable at December 31, 2015 were as follows:

|                        | <u>2015</u>          |
|------------------------|----------------------|
| Sales tax              | \$ 10,579,860        |
| Federal capital grants | 1,084,608            |
| Interest               | 65,213               |
| Other                  | <u>542,933</u>       |
| Gross receivables      | 12,272,614           |
| Less allowance for     | <u>(13,508)</u>      |
| Net total receivables  | <u>\$ 12,259,106</u> |

#### (5) 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.

# Greater Dayton Regional Transit Authority

## Notes to Financial Statements

As of and for the year ended December 31, 2015

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 \$2,579,306 at December 31, 2015 and the futures are reported on the financial statements within Cash and cash equivalents. 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, 2015 the carrying amount of the Authority's deposits was \$11,357,158 as compared to bank balances of \$12,738,191. Included in these amounts are deposits held with STAR Ohio of \$40,478 at December 31, 2015. 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, 2015, \$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, 2015, the Authority had the following investments and maturities:

| <u>Investment Type</u>             | <u>Fair Value</u> | <u>Cost</u> | <u>Maturity (1)</u> | <u>Ratings (2)</u> |
|------------------------------------|-------------------|-------------|---------------------|--------------------|
| Federal agency notes and 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

# Greater Dayton Regional Transit Authority

## Notes to Financial Statements

As of and for the year ended December 31, 2015

*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 of credit 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> |
|--|--|
| Federal Home Loan Bank                 | 4.53%                                  |
| Federal Farm Credit Bank               | 2.76%                                  |
| Federal Home Loan Mortgage Corporation | 9.17%                                  |
| Fannie Mae                             | 6.93%                                  |
| Negotiable Certificates of Deposit     | 76.61%                                 |

### (6) 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 2015 the Board has designated the entire unrestricted net position for capital purchases as related to the Authority's multi-year Capital Budget.



**Greater Dayton Regional Transit Authority**

Notes to Financial Statements

As of and for the year ended December 31, 2015

**(7) Capital Assets**

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

| <u>Issue</u>                                  | <u>Balance<br/>January 1,<br/>2015</u> | <u>Additions</u>   | <u>Deletions</u>    | <u>Balance<br/>December 31,<br/>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>                     |

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

#### (8) Defined Benefit Pension Plans

##### *Net Pension Liability*

The net pension liability reported on the Statement 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.

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

**Greater Dayton Regional Transit Authority**

Notes to Financial Statements

As of and for the year ended December 31, 2015

(<https://www.opers.org/financial/reports.shtml#CAFR>), by 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 |
| Reduced Benefits | 55                | 25      | 55      | 25      | 57      | 25      |
|                  | 60                | 5       | 60      | 5       | 62      | 5       |

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 five 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 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 retiring prior to January 7, 2013, the COLA will continue to be a 3 percent 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 percent.

# Greater Dayton Regional Transit Authority

## Notes to Financial Statements

As of and for the year ended December 31, 2015

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 percent of their annual covered salary and the Authority is required to contribute 14 percent 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 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 \$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) for OPERS was measured at December 31, 2014, and the total pension liability and total pension asset were determined by an actuarial valuation as of that date. The Authority's proportion of 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:

|  | <u>Traditional<br/>Plan</u> | <u>Combined<br/>Plan</u> | <u>Total</u> |
|--|-----------------------------|--------------------------|--------------|
| Proportionate Share of the Net Pension Liability/(Asset) | \$28,662,122                | (\$89,512)               |              |
| Proportion of the Net Pension Liability/Asset            | 0.237641%                   | 0.232485%                |              |
| Pension Expense  | \$3,129,347                 | \$59,482                 | \$3,188,829  |

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

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

|  | <u>Traditional<br/>Plan</u> | <u>Combined<br/>Plan</u> | <u>Total</u>     |
|--|-----------------------------|--------------------------|------------------|
| <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                       | <u>4,559,069</u>            | <u>          </u>        | <u>4,559,069</u> |
| Total Deferred Outflows of Resources   | <u>\$ 6,088,395</u>         | <u>5,464</u>             | <u>6,093,859</u> |

The above deferred outflows and inflows of resources will be recognized in pension expense as follows:

|                         | <u>Traditional<br/>Plan</u> | <u>Combined<br/>Plan</u> | <u>Total</u>     |
|-------------------------|-----------------------------|--------------------------|------------------|
| Year Ended December 31: |                             |                          |                  |
| 2016                    | \$ 149,997                  | (1,883)                  | 148,114          |
| 2017                    | 149,997                     | (1,883)                  | 148,114          |
| 2018                    | 343,462                     | (1,883)                  | 341,579          |
| 2019                    | 382,334                     | (1,883)                  | 380,451          |
| 2020                    |                             | (3,249)                  | (3,249)          |
| Thereafter              |                             | <u>(11,069)</u>          | <u>(11,069)</u>  |
|                         | <u>\$ 1,025,790</u>         | <u>(21,850)</u>          | <u>1,003,940</u> |

#### ***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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Greater Dayton Regional Transit Authority**

Notes to Financial Statements

As of and for the year ended December 31, 2015

| <b>Actuarial Information</b> | <b>Traditional Plan</b>                              | <b>Combined Plan</b>                                |
|------------------------------|--|---|
| 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%<br>(includes wage inflation at 3.75%) | 4.25% - 8.05%<br>(includes wage inflation at 3.75%) |
| Cost of living adjustments   | 3.00% Simple   | 3.00% 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 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 6.95 percent 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 following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

| Asset Class            | Target<br>Allocation | Weighted Average<br>Long-Term Expected<br>Real Rate of Return<br>(Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income           | 23.00 %              | 2.31 %  |
| Domestic Equities      | 19.90                | 5.84  |
| Real Estate            | 10.00                | 4.25  |
| Private Equity         | 10.00                | 9.25  |
| International Equities | 19.10                | 7.40  |
| Other investments      | 18.00                | 4.59  |
| Total                  | 100.00 %             | 5.28 %  |

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 8 percent. 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 percent, 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 percent) or one-percentage-point higher (9 percent) than the current rate:

|   | 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| Authority's Net Pension Liability/(Asset) |                        |                                     |                        |
| Traditional Plan                          | \$52,730,161           | \$28,662,122                        | \$8,391,104            |
| Combined Plan                             | \$11,624               | (\$89,512)                          | (\$169,714)            |

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

#### (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 (OPERS) maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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 2014 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 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 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.

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

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans.



## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

#### 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 \$651,296 and \$615,644 for the years ended December 31, 2015 and 2014, respectively. For both years, this was estimated by multiplying actual employer contributions for each calendar year by 0.1428 for State and Local employees.

#### (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, 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, 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, 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, 2015.

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

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

|  | <u>2015</u>         |
|--|---------------------|
| Accrued self-insurance - beginning of year | \$ 3,679,675        |
| Current year additions                     | 823,997             |
| Claims paid - during year                  | (540,443)           |
| Accrued self-insurance - end of year       | <u>\$ 3,963,229</u> |

#### (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, 2015, the Authority continues to monitor the Baseball Stadium project completed in May of 2000 with \$3,027,000 in Federal funding and the Schuster Performing Arts Center project completed in 2003 with \$10,342,330 in Federal funding. All of these projects have a 20-year vesting period and would require a partial payback of funding, based on straight-line amortization, if the benefits received by the Authority are discontinued before the vesting period ends.

## Greater Dayton Regional Transit Authority

### Notes to Financial Statements

As of and for the year ended December 31, 2015

#### (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. In April 2013 the contracts changed to Ultra-Low-Sulfur Diesel (ULSD) futures. The Authority limits contracts to 95% of expected consumption in any one month. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of ULSD as of the date of the contract's creation. Losses for 2015 were \$1,499,255 as an increase in fuel expense. On December 31, 2015, the remaining open contracts had \$1,892,129 of 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. Management and the Board of Trustees are presently re-evaluating the use of forward pricing mechanisms.

There are risks attached to this program. The Authority may face increased costs 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, 2015, the Authority had outstanding purchase commitments of \$24.6 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 counsel, believes that any ongoing litigation in the normal course of business, will not materially affect the Authority's financial results or financial position.

#### (14) Subsequent Events

In January 2016, the Authority awarded a contract in the estimated amount of \$40,868,064 for the purchase of up to ninety diesel coaches as well as a 3.5% allowance totaling \$1,430,382 for on-board technology and unanticipated enhancements over a five year period, for a total estimated amount of \$42,298,446. This contract also includes a maximum amount of \$30,737,230 for up to sixty-seven option year buses and a 3.5% allowance in the amount of \$1,075,803, for a total estimated amount of \$31,813,033. The grand total of this contract is up to \$74,111,479. This contract is subject to the availability of funding moving forward.

**Schedule of Required Supplementary Information**

| <b>Schedule of the Authority's Proportionate Share of the OPERS Net Pension Liability/(Asset)<br/>Last Two Years (1)</b> |                                |                                |
|--|--------------------------------|--------------------------------|
| <b>Traditional plan</b>  | <b><u>As of 12/31/2014</u></b> | <b><u>As of 12/31/2013</u></b> |
| Authority's proportion of net pension liability/(asset)  | 0.237641%                      | 0.237641%                      |
| Authority's proportionate share of net pension liability/(asset \$   | 28,662,122                     | 28,014,741                     |
| Authority's covered-employee payroll \$  | 30,888,150                     | 31,845,538                     |
| Authority's proportionate share of net pension liability/(asset)<br>as a percentage of its covered-employee payroll      | 92.79%                         | 87.97%                         |
| Plan fiduciary net position as a percentage of the total<br>pension liability/(asset) (2)                                | 86.45%                         |                                |
| <b>Combined plan</b>   |                                |                                |
| Authority's proportion of net pension liability/(asset)  | 0.232485%                      | 0.232485%                      |
| Authority's proportionate share of net pension liability/(asset \$   | (89,512)                       | (24,395)                       |
| Authority's covered-employee payroll   | N/A (3)                        | N/A (3)                        |
| Authority's proportionate share of net pension liability/(asset)<br>as a percentage of its covered-employee payroll      | N/A (3)                        | N/A (3)                        |
| Plan fiduciary net position as a percentage of the total<br>pension liability/(asset) (2)                                | 114.83%                        |                                |

(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.

**Schedule of Required Supplementary Information**

| <b>Schedule of Authority Contributions to OPERS Pension Plans</b>    |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|
| <b>Last Three Years (1)</b>  |                          |                          |                          |
|  | <u><b>12/31/2013</b></u> | <u><b>12/31/2014</b></u> | <u><b>12/31/2015</b></u> |
| Contractually required contribution                                  | \$ 4,139,920             | 3,706,578                | 3,907,776                |
| Contributions in relation to the contractually required contribution | <u>(4,139,920)</u>       | <u>(3,706,578)</u>       | <u>(3,907,776)</u>       |
| Contribution deficiency/(excess)                                     | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 |
| Authority's covered-employee payroll                                 | \$ 31,845,538            | 30,888,150               | 32,564,800               |
| Contributions as a percentage of covered-employee payroll            | 13.0%                    | 12.0%                    | 12.0%                    |

(1) - Information prior to 2013 is not available

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**GREATER DAYTON REGIONAL TRANSIT AUTHORITY  
MONTGOMERY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

| <b>Federal Grantor</b><br><i>Pass Through Grantor</i><br>Program/Cluster Title | <b>Federal<br/>CFDA<br/>Number</b> | <b>Grant<br/>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              | \$268,801                  |
|  | 20.500                             | OH-04-0105              | 398,680                    |
|  | 20.500                             | OH-05-0106              | 112,081                    |
| Total Federal Transit_Capital Investment Grants                                |                                    |                         | <u>779,562</u>             |
| Federal Transit_Formula Grants   |                                    |                         |                            |
|  | 20.507                             | OH-90-X681              | 394,512                    |
|  | 20.507                             | OH-90-X788              | 13,546,119                 |
|  | 20.507                             | OH-95-X173              | 802,578                    |
|  | 20.507                             | OH-95-X185              | 691,352                    |
|  | 20.507                             | OH-95-X195              | 3,884                      |
| Total Federal Transit_Formula Grants   |                                    |                         | <u>15,438,445</u>          |
| State of Good Repair Grants Program  | 20.525                             | OH-54-0001              | 4,712,143                  |
| Bus and Bus Facilities Formula Program   | 20.526                             | OH-34-0001              | <u>604,438</u>             |
| Total Federal Transit Cluster  |                                    |                         | 21,534,588                 |
| Transit Services Program Cluster   |                                    |                         |                            |
| Job Access and Reverse Commute Program   | 20.516                             | OH-37-X063              | 382,772                    |
| New Freedom Program  | 20.521                             | OH-57-X025              | <u>28,340</u>              |
| Total Transit Services Program Cluster   |                                    |                         | 411,112                    |
| Total U.S. Department of Transportation  |                                    |                         | <u>21,945,700</u>          |
| Total Federal Awards Expenditures  |                                    |                         | <u><u>\$21,945,700</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, 2015**

**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, 2015. 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 year ended December 31, 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 July 6, 2016, wherein we noted the Authority adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

### ***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 considered 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

July 6, 2016



# 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, 2015. 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 programs.

### ***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, 2015.

**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

July 6, 2016

**GREATER DAYTON REGIONAL AUTHORITY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2015**

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

|                     |   |   |
|---------------------|---|---|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified  |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>                  | No  |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | No  |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weaknesses reported for major federal programs?</b>                       | No  |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No  |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified  |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No  |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b>   | Federal Transit Cluster:<br>Federal Transit_Capital<br>Investment Grants: CFDA #20.500<br>Federal Transit_Formula Grants: CFDA #20.507<br>State of Good Repair Grants Program: CFDA #20.525<br>Bus and Bus Facilities Formula Program: CFDA #20.526 |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others  |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR §200.520?</b>   | Yes   |

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

None

**3. FINDINGS AND QUESTIONED COSTS 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  
AUGUST 2, 2016**