GREATER DAYTON REGIONAL TRANSIT AUTHORITY

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

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

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Greater Dayton Regional Transit Authority, Montgomery County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 18, 2010

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GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Audit Report

For the years ended December 31, 2009 and 2008

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying basic financial statements of the Greater Dayton Regional Transit Authority (the Authority) as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As noted in Note 2g, the Authority changed its capitalization threshold effective January 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Charles E. Harris & Associates, Inc.
March 30, 2010

As financial management of the Greater Dayton Regional Transit Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2009 and 2008. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights for 2009

- The Authority's total net assets increased by $5.4 million or 4.0% over the course of the year's operations. A major contributing factor was the passage of the American Recovery and Reinvestment Act (ARRA) which infused a total of $19.8 million of operating and capital funds. This Act allows the Authority to utilize funding over the course of 2009 and 2010. This one-time funding has been relied upon heavily to support cash flow and to balance the operating budget. The increase in net assets also reflects service and cost reductions implemented during the year. Despite the foregoing, there was a decline in the economy in Montgomery County (e.g. closing of the General Motors plants, relocation of NCR to Georgia), and the country as a whole, which necessitated the use of investments to fund operations and the local share of capital expenditures. This resulted in a $4.5 million decrease in the Authority's cash and investment portfolio as well as a continued decline in its liquidity measurement – the excess of current assets over current liabilities. This is a very disturbing trend, one the Authority has focused on during the past several years. While efforts to reduce costs and develop new revenue sources have been successful, it is clear that without further action the Authority cannot sustain the current level of service.
- Operating revenues were $8.9 million in 2009 a decrease of $1.3 million or 12.8% from 2008. This was primarily the result of the loss of the approximate $.9 million contract to provide transportation service to the City of Dayton School District and lower ridership due to the economy. An 'across the board' fare increase that was implemented in August partially offset the impact of lost riders.
- Sales tax revenue was $2.2 million or 7.1% less than 2008 primarily due to the deterioration in economic conditions. Historically, sales tax has accounted for approximately 60% of all funding. For 2009, it represented 52% with all indicators pointing to likely reductions from that level unless or until the economic conditions in Montgomery County improve.
- Federal operating assistance increased by $2.7 million or 19.6% over 2008 primarily due to unexpected ARRA funding and a change in philosophy in the use of federal funds.
- Interest income was $.7 million or 51.5% lower than 2008 due to lower market rates and a shrinking investment portfolio.
- Other income was $.8 million or 205.1% higher than 2008 primarily due to a distribution, in surplus reserves by the Ohio Transit Risk Pool in which the Agency participated prior to December 1, 2006.
- Operating expenses, excluding depreciation, in 2009 were $2.4 million or 4.1% lower than 2008. This was primarily due to service cuts implemented in August and cost containment efforts across the Agency. Utilization of fuel futures contracts as a hedge against the volatility of the market caused fuel expense to increase by $2.0 million.

Financial Highlights for 2008

- The Authority's total net assets decreased by $4.1 million or 2.9% over the course of the year's operations causing a reduction in reserves. The reduction in reserves is a direct reflection of the declining economy in Montgomery County (e.g. closing of the General Motors plants), and the country as a whole, which necessitated the use of investments to fund operations and the local share of capital expenditures. This resulted in a $3.7 million decrease in the Authority's cash and investment portfolio during 2008 as well as continued the decline in its liquidity measurement – the excess of current assets over current liabilities.
- Operating revenues were $10.2 million in 2008, an increase of $1.4 million or 15.6% from 2007. This was primarily the result of an 'across the board' fare increase that was implemented in February as well as increased riders resulting from higher fuel costs.
- Sales tax revenue was $1.4 million or 4.1% less than 2007 primarily due to the deterioration in economic conditions. For 2008, sales tax represented 55% of all funding.
- Federal operating assistance increased by $1.0 million or 8.0% over 2007 primarily due to unanticipated funding from the State of Ohio to offset increased fuel costs.
- Interest income was $.3 million or 19.3% lower than 2007 due to lower market rates and a shrinking investment portfolio.
- Other income was down $1.1 million or 71.9% from 2007 primarily due to a distribution, in 2007, of surplus reserves by the Ohio Transit Risk Pool in which the Agency participated prior to December 1, 2006.
- Operating expenses, excluding depreciation, in 2008 were $1.7 million or 3.0% higher than 2007. This was primarily due to the extremely volatile fuel market which saw the price of diesel fuel peak at $4.07 per gallon during May and July and bottom out at $1.42 in December. The average cost per gallon was $3.12 in 2008 compared to $2.27 in 2007. The Agency's utilization of fuel futures contracts as a hedge against the volatility of the market caused an increase of $.4 million in 2008 fuel expense.

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

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

The final required financial 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 provides answers to such questions as where did cash come from, what was cash used for, and what were the changes in the cash balances during the reporting periods

Notes to the Financial Statements

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

Financial Analysis 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 Balance Sheets; Statements of Revenues, Expenses, and Changes in Net Assets; 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 assets are one indicator of whether its financial health is improving or deteriorating. Another major trend is whether the difference between current assets and current liabilities is increasing or decreasing. Although the present difference for the Authority is adequate, the rapid diminution of that difference over the last several years is troubling. The smaller the difference, the more difficult it becomes for an entity to meet its liquidity needs. 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, the greater Dayton area has recently experienced the loss of numerous businesses including, but not limited to, NCR and General Motors as well as related automotive industry suppliers.

It is of utmost importance to highlight the infusion of $19.8 million of ARRA funds to support the Authority's operating and capital needs during 2009 and 2010. This one-time funding was the result of legislative action to assist U.S. transit systems in the wake of the recession. This funding has been relied upon to balance the operating and capital budgets. Unfortunately it is not likely that this funding will be made available in the future, which will create significant cash flow problems for the Authority after 2010.

Also of significance, is the ongoing negotiations with the Amalgamated Transit Union, Local 1385 (ATU). Currently the Authority is awaiting a Fact-Finder's report which will make recommendations on any wage increase or change in the dynamics of the health insurance plans. Depending on the outcome of the Fact-Finder's report and subsequent action, there is great potential for a negative financial impact. Any wage increase will create and, or add to, operating deficits in 2010 and beyond.

Net Assets

	2009	2008	2007
Current assets	$ 15,683,083	24,304,960	32,534,300
Non-current assets	23,868,951	21,446,929	17,392,721
Capital assets, net	116,526,133	107,141,405	110,057,094
Total assets	156,078,167	152,893,294	159,984,115
Current liabilities	12,774,635	14,143,485	15,922,530
Long-term bonds	1,795,000	2,625,000	3,885,000
Total liabilities	14,569,635	16,768,485	19,807,530
Net assets:			
Invested in capital assets, net of related debt	113,901,133	103,256,405	104,447,094
Unrestricted	27,607,399	32,868,404	35,729,491
Total net assets	$ 141,508,532	136,124,809	140,176,585

Capital Assets

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

Equity related to Capital Acquisitions is reflected in the line item "Investment in Capital Assets, Net of Related Debt". The equity includes funding provided by the Federal Transit Administration (FTA) and the State of Ohio (ODOT). Approximately 85% of the Equity pertains to the FTA and ODOT, where approximately 15% relates to local match dollars provided by the Authority. This equity cannot be liquidated to provide a source of cash flow, as any premature sales would require payments to both the FTA and ODOT for remaining equity in capital equipment.

The Authority's investment in capital assets, net of accumulated depreciation, was $116.5 million as of December 31, 2009, an increase of $9.4 million from 2008 as capital asset expenditures were more than depreciation expense during the year. Major capital asset expenditures during 2009 included the following:

- Purchase of 112 revenue vehicles and related equipment totaling $15.7 million,
- Shelter and distribution system upgrades totaling $.6 million.

The Authority's investment in capital assets, net of accumulated depreciation, was $107.1 million as of December 31, 2008, a reduction of $2.9 million from 2007 as capital asset expenditures were less than depreciation expense during the year. Major capital asset expenditures during 2008 included the following:

- Purchase of 23 revenue vehicles and related equipment totaling $6.2 million,

- Facility additions/improvements totaling $1.8 million.
- Office furnishings, shop equipment and other totaling $1.0 million.
- Land and land improvements totaling $.6 million.

Long-term Debt

The Authority had outstanding bonds of $2,625,000 and $3,885,000 at December 31, 2009 and 2008, respectively. These balances represent decreases of $1,260,000 and $1,725,000 due to principal payments in 2009 and 2008, respectively. This debt consists of capital facilities bonds issued for the purpose of purchasing, acquiring, constructing, replacing, improving, extending and enlarging transit facilities. The bonds and notes were authorized to be issued and sold under resolutions passed by the Authority's Board of Trustees. The bonds are general obligations of the Authority. There were no changes to the debt structure during 2009 or 2008.

Net Assets

Net assets increased $5.4 million in 2009 and decreased $4.1 million in 2008. See further discussion following Changes in Net Assets.

Changes in Net Assets:

	2009	2008	2007
Operating revenues	$ 8,888,646	10,190,065	8,813,473
Operating expenses excluding depreciation	(55,903,848)	(58,301,220)	(56,576,526)
Depreciation expense	(13,839,570)	(13,110,305)	(13,092,457)
Operating loss	(60,854,772)	(61,221,460)	(60,855,510)
Net nonoperating revenues (expenses):			
Sales tax proceeds	29,530,344	31,772,613	33,124,291
Federal operating and preventive maintenance assistance	16,491,391	13,788,546	12,765,243
Federal capital grants (pass through)	0	0	112,488
Capital grants to sub-recipient	0	0	(112,488)
State special fare assistance	389,417	465,647	583,942
Investment income	687,143	1,416,684	1,755,013
Interest expense	(211,810)	(302,997)	(389,513)
Net increase (decrease) in fair value of investments	(371,651)	333,831	207,129
Other	1,234,348	404,561	1,439,377
Nonoperating revenues and expenses, net	47,749,182	47,878,885	49,485,482
Capital grant equity	18,489,313	9,290,799	5,493,844
Change in net assets	5,383,723	(4,051,776)	(5,876,184)
Net assets, beginning of year	136,124,809	140,176,585	146,052,769
Net assets, end of year	$ 141,508,532	136,124,809	140,176,585

Year Ended December 31, 2009

Operating revenues for the Authority were $8.9 million in 2009, a decrease of $1.3 million or 12.8% from 2008. This was primarily the result of the loss of the transportation contract with the Dayton City School District as well as the deterioration of the economy in Montgomery County which adversely impacted ridership. An 'across the board' fare increase and service cuts implemented in August partially offset loss of riders.

Operating expenses, excluding depreciation, in 2009 were $2.4 million or 4.1% lower than 2008. This was primarily due to August's service cuts and cost containment efforts across the Agency which more than offset the $2 million loss on fuel futures contracts.

Nonoperating revenues and expenses, net, were $47.7 million during 2009, a decrease of $.1 million or .3% from 2008. The decrease primarily resulted from a $2.2 million reduction in sales taxes and a $.7 million decrease in investment income. A $2.7 million increase in federal operating assistance and a $.6 million refund of pre 2006 self-insurance pool reserves, participation in which was severed prior to December 2006 partially offset the decreases.

Year Ended December 31, 2008

Operating revenues for the Authority were $10.2 million in 2008, an increase of $1.4 million or 15.6% from 2007. This was primarily the result of an 'across the board' fare increase that was implemented in February as well as increased riders resulting from high fuel costs.

Operating expenses, excluding depreciation, in 2008 were $1.7 million or 3.0% higher than 2007. This was primarily due to the extremely volatile fuel market which saw the price of diesel fuel peak at $4.07 per gallon during May and July and bottom out at $1.42 in December. The average cost per gallon was $3.12 in 2008 compared to $2.27 in 2007. A contributing factor to increased diesel fuel cost during 2008 was the Agency's utilization of fuel futures contracts as a hedge against the volatility of the market.

Nonoperating revenues and expenses, net, were $47.9 million during 2008, a decrease of $1.6 million or 3.3% from 2007. The decrease primarily resulted from a $1.4 million decrease in sales taxes, and 2007's $.9 million refund of pre 2006 self-insurance pool reserves. Partially offsetting the decreases was 2008's $.8 million federal assistance to offset rising fuel costs.

Additional Information of Significance

On February 1, 2009, President Obama signed ARRA legislation which provided for, among other things, $6.9 billion for U.S. transit capital assistance. Of that amount, the Authority was awarded $11.8 million to be used to accelerate the replacement of its aging fleet. The Authority was also awarded $6.3 million to be used in the maintenance of the fleet, $.2 million for transit enhancements, and, per a February 2010 amendment, $1.5 million to support general operations.

As described in Note 11 to the financial statements, during 2008 the Authority implemented a plan to mitigate the impact of significant fluctuations in the cost of diesel fuel. This was accomplished through the purchase of fuel futures contracts. Differences between the contract and actual prices will result in gains and losses on expired contracts and fuel cost. Because of the complexity of the futures market and the uncertainty in forecasting the volatility and direction of the fuel oil market, purchase of futures contracts was suspended in April 2009.

In April 2009 the Authority's contract with the ATU expired. The contract has been extended while negotiations are ongoing.

In May 2009 a new three-year contract was approved by the Authority and the American Federation of State, County and Municipal Employees, AFL CIO (AFSCME). Consistent with economic conditions, the contract contained a complete wage freeze for the first year with a re-opener clause for wages and medical and dental insurance for years two and three. The re-opener clause was exercised and negotiations are on-going.

Requests for Information

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

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Balance Sheets

December 31, 2009 and 2008

Assets		**2009**	**2008**
Current assets:			
Cash and cash equivalents (note 4)			
Board designated for self insurance	$	8,447	1,325,625
Non-board designated		2,198,324	3,724,259
Funding for losses in fuel futures contracts (note 11)		89,884	3,126,661
Total cash and cash equivalents		2,296,655	8,176,545
Short-term investments (note 4):			
Board designated for capital acquisition		—	1,000,310
Total short-term investments		—	1,000,310
Accounts receivable, less allowance for doubtful accounts of $15,526 in 2009 and $17,892 in 2008 (note 3)		8,626,773	11,030,700
Materials and supplies, net		2,720,364	2,628,351
Prepaid expenses and deposits		2,039,291	1,469,054
Total current assets		15,683,083	24,304,960
Non-current assets:			
Long-term investments (note 4):			
Board designated for capital acquisition		2,198,324	8,272,554
Board designated for self insurance		3,491,553	2,174,375
Board designated for working capital		9,875,000	11,000,000
Non-board designated		8,287,094	—
Total long-term investments		23,851,971	21,446,929
Miscellaneous deferred debits		16,980	—
Total non-current assets		23,868,951	21,446,929
Capital assets (note 5):			
Land		7,361,536	7,361,536
Revenue producing and service equipment		90,265,308	94,249,452
Buildings and structures		113,076,442	105,002,721
Office furnishings, shop equipment and other		21,812,192	21,079,190
Construction in progress		1,993,622	3,237,498
Total capital assets		234,509,100	230,930,397
Less accumulated depreciation		(117,982,967)	(123,788,992)
Capital assets, net		116,526,133	107,141,405
Total assets	$	156,078,167	152,893,294
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$	2,099,024	3,532,231
Accrued payroll and related benefits		5,340,019	5,598,120
Accrued self-insurance (note 9)		3,368,782	2,912,282
Unearned fares and state assistance		903,031	679,889
Other accrued expenses		233,780	160,963
Current maturities of bonds and notes payable (note 6)		830,000	1,260,000
Total current liabilities		12,774,635	14,143,485
Bonds and notes payable (note 6)		1,795,000	2,625,000
Total liabilities		14,569,635	16,768,485
Net assets:			
Invested in capital assets, net of related debt		113,901,133	103,256,405
Unrestricted		27,607,399	32,868,404
Total net assets		141,508,532	136,124,809
Total liabilities and net assets	$	156,078,167	152,893,294

See accompanying notes to financial statements.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Passenger fares	$ 8,514,548	8,938,079
Special transit fares and charter service:		
Board of Education (student transportation)	372,050	1,222,894
Charter service	-	20,291
Contract service	2,048	8,801
Total operating revenues	8,888,646	10,190,065
Operating expenses:		
Labor	24,914,303	25,879,366
Fringe benefits	15,927,023	16,686,690
Contractual services	3,665,499	4,176,726
Materials and supplies	7,445,264	8,174,708
Utilities and propulsion power	1,667,045	1,711,394
Claims and insurance	1,875,387	1,176,120
Other	409,327	496,216
Total operating expenses excluding depreciation	55,903,848	58,301,220
Operating loss before depreciation expense	(47,015,202)	(48,111,155)
Depreciation expense	13,839,570	13,110,305
Total operating expenses	69,743,418	71,411,525
Operating loss	(60,854,772)	(61,221,460)
Nonoperating revenues (expenses):		
Sales tax proceeds	29,530,344	31,772,613
Federal operating and preventative maintenance assistance	16,491,391	13,788,546
State special fare and operating assistance	389,417	465,647
Interest on investments	687,143	1,416,684
Interest expense	(211,810)	(302,997)
Net increase (decrease) in the fair value of investments	(371,651)	333,831
Other	1,234,348	404,561
Total nonoperating revenues, net	47,749,182	47,878,885
Loss before capital grant equity	(13,105,590)	(13,342,575)
Capital grant equity	18,489,313	9,290,799
Increase in net assets	5,383,723	(4,051,776)
Net assets – beginning of year	136,124,809	140,176,585
Net assets – end of year	$ 141,508,532	136,124,809

See accompanying notes to financial statements.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

Years ended December 31, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Receipts from fares and charters	$	8,938,311	11,267,768
Payments to suppliers		(15,209,782)	(15,148,596)
Payments for labor and employee benefits		(41,099,420)	(43,334,459)
Payments for claims and insurance		(1,418,887)	(823,722)
Net cash used in operating activities		(48,789,778)	(48,039,009)
Cash flows from noncapital financing activities:			
Sales tax		29,723,057	32,783,145
Federal operating and preventive maintenance assistance grants		17,321,288	13,770,227
State operating and preventive maintenance and special fare assistance grants		631,559	—
Other		1,234,349	404,560
Net cash provided by noncapital financing activities		48,910,254	46,957,932
Cash flows from capital and related financing activities:			
Capital grants received		19,726,192	7,720,121
Additions to property and equipment		(23,241,279)	(10,141,546)
Interest paid on bonds and notes payable		(211,810)	(302,997)
Payments of bonds payable		(1,260,000)	(1,725,000)
Net cash used in capital and related financing activities		(4,986,897)	(4,449,422)
Cash flows from investing activities:			
Purchases of investment securities		(22,792,354)	(29,608,135)
Proceeds from sale or maturity of investment securities		20,832,000	37,241,833
Interest received		946,885	1,455,009
Net cash provided by investing activities		(1,013,469)	9,088,707
Net increase (decrease) in cash and cash equivalents		(5,879,890)	3,558,207
Cash and cash equivalents at beginning of year		8,176,545	4,618,338
Cash and cash equivalents at end of year	$	2,296,655	8,176,545
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$	(60,854,772)	(61,221,460)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		13,839,570	13,110,305
Changes in assets and liabilities:			
Accounts receivable – other		(116,399)	1,060,282
Materials and supplies		(92,014)	215,304
Prepaid expenses and deposits		(570,237)	(169,976)
Accounts payable		(1,433,211)	(711,681)
Accrued expenses and unredeemed fares		437,285	(321,782)
Net cash used in operating activities	$	(48,789,778)	(48,039,009)

See accompanying notes to financial statements.

(1) The Authority and Reporting Entity

(a) The Authority

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

(b) Reporting Entity

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2009 will be recognized as revenue in 2009. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

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

(b) Budgetary Accounting and Control

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

(c) Cash and Cash Equivalents

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

(d) Investments

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

(e) Board Designated Investments

Investments and cash are designated annually by the Board of Trustees and shall be required for each of the following items:

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

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

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

(f) Materials and Supplies

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

(g) Capital Assets

The Authority defines capital assets as assets purchased prior to January 1, 2009 with an initial, individual cost of more than $500 ($2,500 after December 31, 2008) 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. The Authority believes that the change in capitalization policy did not materially affect operating results.

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

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

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

(h) Compensated Absences

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

(i) Net Assets

Equity is displayed in three components as follows:

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

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed. The Authority does not have restricted net assets at December 31, 2009 or 2008.

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

(j) Passenger Fares

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

(k) Sales Taxes

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

(l) Federal Operating and Preventative Maintenance Assistance Funds

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

(m) Capital Grants

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

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 vehicles or remitted to the granting federal agency.

(n) Classification of Revenues

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

(o) Estimates

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

(p) New Accounting Pronouncement

In June 2008, the Governmental Accounting Standards Board (GASB) issued Statement No. 53, Accounting and Reporting for Derivative Instruments effective for fiscal years beginning after June 15, 2009. The Statement provides, among other things, the accounting and reporting requirements that the Authority will utilize for its future fuel hedging activity. See Notes 4 and 11 to Financial Statements.

(3) Accounts Receivable

Accounts receivable at December 31, 2009 and 2008 were as follows:

		2009	2008
Sales tax	$	7,856,808	8,049,521
Federal operating and preventive maintenance assistance		-	681,971
Federal capital assistance		333,798	1,570,678
State elderly fare assistance		-	185,066
Interest		173,491	249,262
Other		278,202	312,094
Gross receivables		8,642,299	11,048,592
Less allowance for uncollectibles		(15,526)	(17,892)
Net total receivables	$	8,626,773	11,030,700

(4) Cash and Investments

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). However, Ohio Attorney General Opinion No. 89-080 authorized the use of forward pricing mechanisms, see Note 11 to Financial Statements. 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 at least 110% 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, 2009 and 2008, the carrying amount of the Authority's deposits was $277,211 and $250,608, respectively, as compared to bank balances of $335,124 and $299,424, respectively. Of the bank balances at December 31, 2009 and 2008, $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, 2009, the Authority had the following investments and maturities:

Investment Type	Fair Value	Cost	Maturity(1)	Rating(2)
Federal Home Loan Bank	$23,851,971	$23,599,206	1,287	AAA/Aaa
Total Investments	$23,851,971	$23,599,206		
STAR Ohio(3)	$1,674,899	$1,674,899	Daily	AAAm

(1) Weighted Maturity - Days
(2) Moody's/S&P
(3) Although the STAR Ohio deposits are included with investments for risk categorization, they are classified as cash and cash equivalents for financial reporting purposes.

As of December 31, 2008, the Authority had the following investments and maturities:

Investment Type	Fair Value	Cost	Maturity(1)	Rating(2)
Federal Home Loan Bank	$14,036,609	$13,734,882	1,216	AAA
Federal Farm Credit Bonds	8,410,630	8,087,940	1,300	AAA
Total Investments	$22,447,239	$21,822,822		
STAR Ohio(3)	$3,758,704	$3,758,704	Daily	AAAm

(1) Weighted Maturity - Days
(2) Moody's/S&P
(3) Although the STAR Ohio deposits are included with investments for risk categorization, they are classified as cash and cash equivalents for financial reporting purposes.

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 $23,851,971 investment in U.S. governmental agency instruments are held in the Authority's name by its custodian (agent).

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

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

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

(5) Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Capital assets not being depreciated:				
Land and land improvements	$ 7,361,536	-	-	7,361,536
Construction in progress	3,237,498	23,246,989	24,490,865	1,993,622
Total capital assets not being depreciated	10,599,034	23,246,989	24,490,865	9,355,158
Capital assets being depreciated:				
Revenue producing and service equipment	94,249,452	15,614,262	19,598,406	90,265,308
Buildings and structures	105,002,721	8,073,721	-	113,076,442
Office furnishings, shop equipment, and other	21,079,190	802,882	69,880	21,812,192
Total capital assets being depreciated	220,331,363	24,490,865	19,668,286	225,153,942
Less accumulated depreciation:				
Revenue producing and service equipment	58,248,297	8,067,520	19,575,715	46,740,102
Buildings and structures	48,509,341	3,807,391	-	52,316,732
Office furnishings, shop equipment, and other	17,031,354	1,964,659	69,880	18,926,133
Total accumulated depreciation	123,788,992	13,839,570	19,645,595	117,982,967
Total capital assets being depreciated, net	96,542,371	10,650,970	22,691	107,170,650
Total capital assets, net	$ 107,141,405	25,733,615	16,348,887	116,526,133

Capital asset activity for the year ended December 31, 2008 was as follows:

		Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Capital assets not being depreciated:					
Land and land improvements	$	6,803,885	557,651	-	7,361,536
Construction in progress		1,738,691	8,111,088	6,612,281	3,237,498
Total capital assets not being depreciated		8,542,576	8,668,739	6,612,281	10,599,034
Capital assets being depreciated:					
Revenue producing and service equipment		89,733,013	5,477,926	961,487	94,249,452
Buildings and structures		103,249,431	1,753,290	-	105,002,721
Office furnishings, shop equipment, and other		20,131,586	1,049,568	101,964	21,079,190
Total capital assets being depreciated		213,114,030	8,280,784	1,063,451	220,331,363
Less accumulated depreciation:					
Revenue producing and service equipment		52,225,098	6,842,060	818,861	58,248,297
Buildings and structures		44,706,357	3,802,984	-	48,509,341
Office furnishings, shop equipment, and other		14,668,057	2,465,261	101,964	17,031,354
Total accumulated depreciation		111,599,512	13,110,305	920,825	123,788,992
Total capital assets being depreciated, net		101,514,518	(4,829,521)	142,626	96,542,371
Total capital assets, net	$	110,057,094	3,839,218	6,754,907	107,141,405

(6) Bonds Payable

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

Bond activity for the year ended December 31, 2009 was as follows:

Issue	Interest rate		Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009	Due within one year
Series 1994	3.50 to 6.00	$	470,000	—	470,000	—	—
Series 1997	4.15 to 5.55		3,415,000	—	790,000	2,625,000	830,000
Total		$	3,885,000	—	1,260,000	2,625,000	830,000

Bond activity for the year ended December 31, 2008 was as follows:

Issue	Interest rate		Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008	Due within one year
Series 1993	3.10 to 5.10	$	530,000	—	530,000	—	—
Series 1994	3.50 to 6.00		915,000	—	445,000	470,000	470,000
Series 1997	4.15 to 5.55		4,165,000	—	750,000	3,415,000	790,000
Total		$	5,610,000	—	1,725,000	3,885,000	1,260,000

The annual requirements to pay principal and interest on the bonds outstanding at December 31, 2009 are as follows:

		Principal	Interest	Total
2010	$	830,000	144,420	974,420
2011		875,000	95,175	970,175
2012		920,000	55,070	975,070
	$	2,625,000	294,665	2,919,665

(7) Pension Plan

(a) Plan Description

The Authority contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer public employee retirement system. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries through three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under this plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings; and the Combined Plan – a cost-sharing multiple-employer defined benefit pension plan. Under this plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute a percentage of their annual covered salary (10% in 2009 and 2008), and the Authority is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2009 and 2008, and 13.85% for 2007 of annual covered payroll. The contribution requirements of plan members and the Authority are established and may be amended by the Board. The Authority's contributions to OPERS for the years ended December 31, 2009 and 2008 were $3,935,416 and $4,141,133, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(8) Other Post-Employment Benefits

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. As required by state statute, a portion of each employer's contribution to OPERS (see note 7) is set aside for the funding of post-retirement health care. The contribution rate of 14% for the years ended December 31, 2009 and 2008, respectively, included a portion (7% for January – March and 5.5% for April – December 2009 and 7% for 2008) that was used to fund healthcare. The Authority's contributions for post-employment benefits were $1,641,134 and $2,070,567 for the years ended December 31, 2009 and 2008, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased on January 1, 2006, 2007 and 2008, which allowed additional funds to be allocated to the health care plan.

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

Summary of assumptions for pension plan and other post-employment benefits

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2008.

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

Assets Valuation Method – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of the unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return – The investment assumption rate for 2008 was 6.5%.

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

Health Care – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 3% for the next 6 years. In subsequent years (7 and beyond), health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension Plan and Combined Plans at December 31, 2008 was 356,388. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2008 was $10.7 billion. The actuarially accrued liability and the unfunded actuarially accrued liability at December 31, 2008, based on the actuarial cost method used, were $29.6 billion and $18.9 billion, respectively.

(9) Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective December 1, 2006, 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

The Authority is also self-insured for worker's compensation claims up to a limit of $500,000 per claim at which point stop-loss insurance becomes effective. A reserve has been provided at December 31, 2009 and 2008 for the estimated potential claim liability based upon an actuary's estimate. This liability is classified as current although some portion may not be paid within one year. Management believes, based on prior experience, that the estimated reserve for claims is adequate to satisfy all claims filed or to be filed for incidents which occurred through December 31, 2009.

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

		2009	2008
Accrued self-insurance – beginning of year	$	2,912,282	2,559,885
Current year additions		1,381,952	1,900,730
Claims paid – during year		(1,425,452)	(1,548,333)
Accrued self-insurance – end of year	$	2,868,782	2,912,282

(10) Capital and Other Grants

The American Recovery and Reinvestment Act was signed into law by President Obama on February 17, 2009. ARRA includes appropriations and tax law changes totaling approximately $787 billion to support government wide efforts to stimulate the economy. Goals of the statute include the preservation or creation of jobs and the promotion of an economic recovery, as well as the investment in transportation, environmental protection and other infrastructure providing long-term economic benefits. The Authority's share of ARRA funds total $19.8 million to be used in 2009 and 2010 operating and capital budgets.

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 ARRA funding which is 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. Capital grants received for such projects are recorded as "Federal capital grants (passed through to sub-recipient)" offset by "capital grants to sub-recipient" in the Statements of Revenues, Expenses and Changes in Net Assets.

In 1998, the Authority entered into contracts with ODOT for two downtown Dayton projects, which included Federal Highway Administration (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, 2009, the Authority continues to monitor the Baseball Stadium project completed in May of 2000 with $3,027,000 in Federal funding, the Main Street Project, completed in November of 1992 with $3,185,000 in Federal funding, and the Schuster Performing Arts Center project completed in 2003 with $10,342,330 in Federal funding. All of these projects have a 20 year vesting period and would require a partial payback of funding, based on straight line amortization, if the benefits received by the Authority are discontinued before the vesting period ends.

(11) Energy Forward Pricing Mechanisms

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

In April 2008, the Authority began utilizing #2 heating oil futures contracts (contracts) as hedges against open market diesel fuel price fluctuations. The Authority limits contracts to 95% of expected consumption in any one month. The initial value of each contract is zero. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of #2 heating oil as of the date of the contract's creation. For 2009 and 2008, losses of $2,359,514 and $368,737 were recognized as increases in fuel expense. On December 31, 2009, the remaining open contracts had $89,884 of unrealized loss which corresponds to the expected cost of fuel being lower over future fiscal periods. There is no debt associated with these contracts and unrealized losses are fully funded.

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

Because of the complexity of the futures market and because of the uncertainty in forecasting the volatility and direction of the fuel oil market, the purchase of futures contracts was suspended in April 2009.

(12) Contingencies and Commitments

(a) ARRA Funding

The one-time ARRA funding was the result of legislative language to assist U.S. transit systems in the wake of the recession. This funding has been relied upon to balance the operating and capital needs. Unfortunately it is not likely that this funding will be made available in the future.

(b) 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.

(c) Commitments

At December 31, 2009, the Authority had outstanding purchase commitments of approximately $21 million consisting of $18.9 million for buses, $.6 million for tire leases, $.6 million for facility improvements, $.5 million for computer software, and $.1 million for internet site development.

(d) Litigation

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

(e) Labor Contracts

In April 2009, the Authority's contract with the Amalgamated Transit Union, Local 1385 (ATU) expired. Negotiations are ongoing.

In May 2009, the Authority and the American Federation of State, County and Municipal Employees, AFL CIO (AFSCME) signed a new three-year contract effective December 1, 2008. Consistent with economic conditions, the new contract does not include a wage increase. The contract does provide for the ability to renegotiate wages and the employee share of medical and dental insurance in the second and third years of the contract. The re-opener provision for the second year of the contract was exercised and negotiations are ongoing.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures Applicable to Federal Awards

For the year ended December 31, 2009

Federal Grantor/Program Title	Grant Number	Federal CFDA Number	Grant Award Date		Accrual Method Expenditures
FTA - Section 5309 Grants					
	OH-03- 0264	20.500	Mar-05	$	629,581
	OH-03- 0300	20.500	Aug-07		264,483
	OH-04- 0030	20.500	Aug-08		650,909
	OH-04- 0045	20.500	Sep-09		10,010
	OH-04- 0051	20.500	Aug-08		103,200
	OH-04- 0055	20.500	Mar-09		490,000
	OH-05- 0095	20.500	Apr-09		2,136,458
	OH-05- 0096	20.500	May-09		3,783,460
ARRA-FTA Section 5309 Grants					
	OH-56- 0001	20.500	Jun-09		1,056,847
			Total		**9,124,948**
FTA - Section 5307 Grants					
	OH-90- 0295	20.507	Sep-97		15,991
	OH-90- X409	20.507	Apr-03		409,549
	OH-90- X435	20.507	May-03		48,613
	OH-90- X493	20.507	Mar-05		16,370
	OH-90- X519	20.507	Sep-06		838,243
	OH-90- X541	20.507	Apr-06		914,739
	OH-90- X615	20.507	Mar-08		829,794
	OH-90- X618	20.507	Aug-08		2,456,563
	OH-90- X637	20.507	Aug-08		113,823
	OH-90- X650	20.507	Feb-09		6,703,680
	OH-90- X664	20.507	Aug-09		5,413,538
	OH-95- X027	20.507	Apr-09		1,055,750
ARRA - FTA Section 5307 Grants					
	OH-96- X005	20.507	Jun-09		7,449,990
			Total		**26,266,643**
FTA - JARC/NF Grants					
5316	OH-37- X063	20.516	Sep-09		35,881
5317	OH-57- X025	20.521	Sep-09		3,436
			Total		**39,317**
TOTAL EXPENDITURES APPLICABLE TO FEDERAL AWARDS				**$**	**35,430,908**

Greater Dayton Regional Transit Authority
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

1. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Greater Dayton Regional Transit Authority under programs financed by the U.S. government for the year ended December 31, 2009. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

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

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INDEPENDENT ACCOUNTANTS' 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 the basic financial statements of the Greater Dayton Regional Transit Authority (the Authority), as of and for the year ended December 31, 2009, and have issued our report thereon dated March 30, 2010, wherein we noted the Authority changed its capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, federal awarding agencies and pass-through entities, and others within the Authority. We intend it for no one other than these specified parties.

Charles E. Harris & Associates, Inc.
March 30, 2010

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Certified Public Accountants

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

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

To the Board of Trustees:

Compliance

We have audited the compliance of the Greater Dayton Regional Transit Authority, Montgomery County (Authority), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that the Authority's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Charles E. Harris & Associates, Inc.
March 30, 2010

GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2009

Schedule of Findings and Questioned Costs

A. Summary of Audit Results

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

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

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

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

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

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

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

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

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

10. The dollar threshold for distinguishing Type A and Type B programs was $1,080,395.

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

B. Findings-Financial Statement Audit

None

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

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2008, reported no material citations or recommendations.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

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

To the Board of Trustees:

We understand that the Greater Dayton Regional Transit Authority (the Authority) is eligible to receive Urbanized Area Formula Program grants of the Federal Transit Act, as amended, and in connection therewith, the Authority is required to report certain information to the Federal Transit Administration (FTA).

The FTA has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form (FFA-10) of the Authority's annual National Transit Database (NTD) report:

- A system is place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.

- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.

- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data are fully documented and securely stored.

- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.

- The data collection methods are those suggested by the FTA or meet FTA requirements.

- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.

- Data are consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures to the data contained in the accompanying Federal Funding Allocation Statistics Form (FFA-10) for the fiscal year ended December 31, 2009. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2009 Reporting Manual* and were agreed to by the Authority, were applied to assist you in evaluating whether the Authority complied with the standards described in the second paragraph of this report and that the information included in the NTD report Federal Funding Allocation Statistics Form (FFA-10) for the fiscal year ended December 31, 2009 is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule,* as specified in 49 CFR Part 630, *Federal Register,* January 15, 1993 and as presented in the *2009 Reporting Manual.*

This engagement to apply agreed upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose. This report is intended solely for your information and FTA and should not be used by those who did not participate in determining the procedures.

The procedures were applied separately to each of the information systems used to develop the reported vehicle revenue miles, fixed guideway directional route miles, passenger miles, and operating expenses of the Authority for the fiscal year ended December 31, 2009 for each of the following modes:

- Motor Bus-directly operated
- Trolley Bus-directly operated
- Demand Response-directly operated

The following information and finding came to our attention as a result of performing the procedures described in the Attachment to this report:

None

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Federal Funding Allocation Statistics Form (FFA-10). Accordingly, we do not express such an opinion. Also, we do not express an opinion on the Authority’s system of internal control taken as a whole.

In performing the procedures, except for the information and findings described above, no matters came to our attention that caused us to believe that the information included in the NTD report on the Federal Funding Allocation Statistics Form (FFA-10) for the fiscal year-ended December 31, 2008 is not presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System; Final Rule,* as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2009 Reporting Manual*. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the information described above and does not extend to the Authority’s financial statements taken as a whole, or the forms in the Authority’s NTD report, other than the Federal Funding Allocation Statistics Form (FFA-10), for any date or period.

This report is intended solely for the information and use of the Authority's management, the Ohio Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 30, 2010

Mary Taylor, CPA
Auditor of State

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 1, 2010

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