

***GREATER DAYTON REGIONAL TRANSIT
AUTHORITY***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

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



Dave Yost • Auditor of State

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

We have reviewed the *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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 21, 2011

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GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Audit Report

For the years ended December 31, 2010 and 2009

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

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306
Phone - (216) 575-1630
Fax - (216) 436-2411

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, 2010 and 2009, 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.

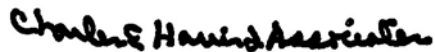
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2010 and 2009 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2011 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 9 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.

April 7, 2011

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

As financial management of the Greater Dayton Regional Transit Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2010 and 2009. 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 2010

- The Authority's total net assets increased by \$15.5 million or 11.0% 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 which the Authority used to replace capital assets and support operations over the course of 2010 and 2009. This one-time funding has been relied upon heavily to improve cash flow and to balance the operating budget.
- Operating revenues were \$8.8 million in 2010 a decrease of \$.1 million from 2009. This small change was the result of slightly fewer riders in 2010. It appears the economic conditions in Montgomery County may be leveling off or improving after the recession of 2008 and 2009 and ridership is showing signs of stabilizing.
- Sales tax revenue increased \$1.5 million or 4.9% more than 2009 primarily due to an uptick in local economic conditions. Historically, sales tax has accounted for approximately 60% of all funding. For 2010, it represented 53% (vs. 52% in 2009). Current trends show continued improvement and management is watching this closely.
- Federal operating assistance increased by \$1.0 million or 5.8% over 2009 primarily due to ARRA funding which provided some one time assistance along with and a change in philosophy in the use of available federal funds.
- Interest income was \$.4 million or 84.1% lower than 2009 due to all-time low market rates, continued investment calls and a shrinking investment portfolio.
- Other income was \$.8 million or 32.7% lower than 2009 primarily due to a distribution during 2009 of surplus reserves by the Ohio Transit Risk Pool in which the Agency participated prior to December 1, 2006.
- Operating expenses, excluding depreciation, in 2010 decreased \$3.0 million or 5.3% lower than 2009. This was primarily due to 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 \$.3 million.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

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. As in 2010, a major contributing factor was the passage of the ARRA. 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.
- 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 Dayton Public School District and lower ridership due to the economy. An 'across the board' fare increase that was implemented in August 2009 partially offsetting the impact of lost riders.
- Sales tax revenue decreased \$2.2 million or 7.1% less than 2008 primarily due to the deterioration in economic conditions. For 2009 sales tax represented 52% of all funding 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 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.
- Operating expenses, excluding depreciation, in 2009 decreased \$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.

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.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

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 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 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 and even improving, the diminution of that difference over the last several years is an area of potential future concern, 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 experienced the loss of numerous businesses including, but not limited to, NCR and General Motors as well as related automotive industry suppliers.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

It is important to highlight the infusion of \$19.8 million of ARRA funds to support the Authority's operating and capital needs during 2010 and 2009. 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. It is not likely that this funding will be made available in the future, which could contribute to cash flow problems for the Authority in later years.

Also of significance, is the resolution of contract negotiations with the Amalgamated Transit Union, Local 1385 (ATU) which was completed in 2010 and removed some of the unknowns of not having a signed agreement in place. The current contract will expire in April 2012.

Net Assets	2010	2009	2008
Current assets	\$ 35,189,119	\$ 15,683,083	\$ 24,304,960
Non-current assets	8,653,931	23,868,951	21,446,929
Capital assets, net	128,592,124	116,526,133	107,141,405
Total assets	<u>172,435,174</u>	<u>156,078,167</u>	<u>152,893,294</u>
Current liabilities	14,476,056	12,774,635	14,143,485
Long-term bonds	920,000	1,795,000	2,625,000
Total liabilities	<u>15,396,056</u>	<u>14,569,635</u>	<u>16,768,485</u>
Net assets:			
Invested in capital assets, net of related debt	126,797,124	113,901,133	103,256,405
Unrestricted	30,241,994	27,607,399	32,868,404
	<u>\$ 157,039,118</u>	<u>\$ 141,508,532</u>	<u>\$ 136,124,809</u>

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 services. 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 (\$95.5 million) and ODOT (\$7.5 million) for their remaining equity in capital equipment as of year end 12-31-2010.

The Authority's investment in capital assets, net of accumulated depreciation, was \$128.6 million as of December 31, 2010, an increase of \$12.1 million from 2009 as capital asset expenditures were more than depreciation expense during the year. Major capital asset expenditures during 2010 included the following:

- Purchase of 50 Fixed Route revenue vehicles and related equipment totaling \$21.9 Million
- Purchase of 8 Project Mobility revenue vehicles and related equipment totaling \$.7 million.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

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 24 Fixed Route revenue vehicles and related equipment totaling \$7.8 million,
- Purchase of 88 Project Mobility revenue vehicles and related equipment totaling \$7.9 million,
- Shelter and distribution system upgrades totaling \$.6 million.

Long-term Debt

The Authority had outstanding bonds of \$1,795,000 and \$2,625,000 at December 31, 2010 and 2009, respectively. These balances represent decreases of \$830,000 and \$1,260,000 due to principal payments in 2010 and 2009, 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 2010 or 2009.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

Net Assets

Net assets increased \$15.5 million in 2010 and increased \$5.4 million in 2009. See further discussion following Changes in Net Assets.

<i>Changes in Net Assets:</i>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 8,813,544	\$ 8,888,646	\$ 10,190,065
Operating expenses			
Excluding depreciation	(52,942,972)	(55,903,848)	(58,301,220)
Depreciation expense	(14,018,493)	(13,839,570)	(13,110,305)
Operating Loss	<u>(58,147,921)</u>	<u>(60,854,772)</u>	<u>(61,221,460)</u>
Net non-operating revenues (expenses)			
Sales tax proceeds	30,991,673	29,530,344	31,772,613
Federal assistance	17,448,861	16,491,391	13,788,546
State assistance	549,668	389,417	465,647
Investment income	361,379	687,143	1,416,684
Interest expense	(142,751)	(211,810)	(302,997)
Net increase (decrease) in fair value of investments	(144,303)	(371,651)	333,831
Other	830,976	1,234,348	404,561
Net non-operating revenues and expenses	<u>49,895,503</u>	<u>47,749,182</u>	<u>47,878,885</u>
Capital grant equity	<u>23,783,004</u>	<u>18,489,313</u>	<u>9,290,799</u>
Change in net assets	15,530,586	5,383,723	(4,051,776)
Net assets, beginning of year	<u>141,508,532</u>	<u>136,124,809</u>	<u>140,176,585</u>
Net assets, end of year	<u>\$ 157,039,118</u>	<u>\$ 141,508,532</u>	<u>\$ 136,124,809</u>

Year Ended December 31, 2010

Operating revenues for the Authority were \$8.8 million in 2010, a decrease of \$.1 million or .8% from 2009. This slight change was the result of slightly fewer riders as the fare structure did not change during the course of the year.

Operating expenses, excluding depreciation, in 2010 decreased \$3.0 million or 5.3% lower than 2009. This was primarily due to cost containment efforts across the Agency which more than offset the \$.3 million loss on fuel futures contracts.

Non-operating revenues and expenses, net, were \$49.9 million during 2010, an increase of \$2.2 million or 5.5% from 2009. The increase primarily resulted from a \$1.5 million increase in sales taxes and a \$1.0 million increase in federal assistance. A \$.3 million reduction in investment income partially offset the increases.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

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 decreased \$2.4 million or 4.1% lower than 2008. This was primarily due to August service cuts and cost containment efforts across the Agency which more than offset the \$2 million loss on fuel futures contracts.

Non-operating 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.

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. RTA resumed this program in November of 2010.

In April 2009 the Authority's contract with the ATU expired. During the course of 2010, the contract was renewed until April 2012.

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 a contract was renewed during 2010.

Subsequent to the close of fiscal year 2010 and during the audit review period, the Ohio Senate and House of Representatives passed Senate Bill 5 which may have a future financial impact on GDRTA. The bill was signed into law by the Governor but the implementation is on hold while challengers gather signatures to have the issue voted on in the November 2011 General Election. Senate Bill 5 contains provisions that may impact both union and local governments. At this time it is difficult to quantify the potential financial impact on GDRTA (positive or negative) as the legislation is new and many questions remain to be answered. Management will study the bill, consult with counsel, and provide more information on the impact to GDRTA in a future audit report if the measure stands after current challenges and is enacted by the State of Ohio.

Greater Dayton Regional Transit Authority

Management's Discussion and Analysis

December 31, 2010 and 2009

(Unaudited)

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, 2010 and 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents (note 4)		
Board designated for self insurance	\$ —	8,447
Board designated for working capital	9,700,000	—
Non-board designated	5,401,951	2,198,324
Funding for losses in fuel futures contracts (note 11)	—	89,884
Total cash and cash equivalents	15,101,951	2,296,655
Accounts receivable, less allowance for doubtful accounts of \$14,011 in 2010 and \$15,526 in 2009 (note 3)	15,450,500	8,626,773
Materials and supplies, net	2,686,612	2,720,364
Prepaid expenses and deposits	1,950,056	2,039,291
Total current assets	35,189,119	15,683,083
Non-current assets:		
Long-term investments (note 4)		
Board designated for capital acquisition	3,327,223	2,198,324
Board designated for self insurance	3,500,000	3,491,553
Board designated for working capital	—	9,875,000
Non-board designated	1,826,708	8,287,094
Total long-term investments	8,653,931	23,851,971
Miscellaneous deferred debits	—	16,980
Total non-current assets	8,653,931	23,868,951
Capital assets (note 5):		
Land	7,361,536	7,361,536
Revenue producing and service equipment	99,718,318	90,265,308
Buildings and structures	114,962,026	113,076,442
Office furnishings, shop equipment and other	22,233,237	21,812,192
Construction in progress	3,310,831	1,993,622
Total capital assets	247,585,948	234,509,100
Less accumulated depreciation	(118,993,824)	(117,982,967)
Capital assets, net	128,592,124	116,526,133
Total assets	\$ 172,435,174	156,078,167
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,841,636	2,099,024
Accrued payroll and related benefits	5,539,319	5,340,018
Accrued self-insurance (note 9)	3,626,358	3,368,782
Unearned fares and state assistance	1,267,189	903,031
Other accrued expenses	326,554	233,780
Current maturities of bonds and notes payable (note 6)	875,000	830,000
Total current liabilities	14,476,056	12,774,635
Bonds and notes payable (note 6)	920,000	1,795,000
Total liabilities	15,396,056	14,569,635
Net assets:		
Invested in capital assets, net of related debt	126,797,124	113,901,133
Unrestricted	30,241,994	27,607,399
Total net assets	157,039,118	141,508,532
Total liabilities and net assets	\$ 172,435,174	156,078,167

See accompanying notes to financial statements

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Passenger fares	\$ 8,413,425	8,514,548
Special transit fares and charter service:		
Board of Education (student transportation)	389,766	372,050
Contract service	<u>10,353</u>	<u>2,048</u>
Total operating revenues	<u>8,813,544</u>	<u>8,888,646</u>
Operating expenses:		
Labor	24,034,231	24,914,303
Fringe benefits	16,229,501	15,927,023
Contractual services	3,310,741	3,665,499
Materials and supplies	5,947,879	7,445,264
Utilities and propulsion power	1,481,255	1,667,045
Claims and insurance	1,483,449	1,875,387
Other	<u>455,916</u>	<u>409,327</u>
Total operating expenses excluding depreciation	<u>52,942,972</u>	<u>55,903,848</u>
Operating loss before depreciation expense	(44,129,428)	(47,015,202)
Depreciation expense	<u>14,018,493</u>	<u>13,839,570</u>
Total operating expenses	<u>66,961,465</u>	<u>69,743,418</u>
Operating loss	(58,147,921)	(60,854,772)
Nonoperating revenues (expenses):		
Sales tax proceeds	30,991,673	29,530,344
Federal assistance	17,448,861	16,491,391
State assistance	549,668	389,417
Interest on investments	361,379	687,143
Interest expense	(142,751)	(211,810)
Net increase (decrease) in the fair value of investments	(144,303)	(371,651)
Other	<u>830,976</u>	<u>1,234,348</u>
Total nonoperating revenues, net	<u>49,895,503</u>	<u>47,749,182</u>
Loss before capital grant equity	(8,252,418)	(13,105,590)
Capital grant equity	<u>23,783,004</u>	<u>18,489,313</u>
Increase in net assets	15,530,586	5,383,723
Net assets – beginning of year	<u>141,508,532</u>	<u>136,124,809</u>
Net assets – end of year	<u>\$ 157,039,118</u>	<u>141,508,532</u>

See accompanying notes to financial statements.

GREATER DAYTON REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from fares and charters	\$ 8,950,668	8,938,311
Payments to suppliers	(10,237,417)	(15,209,782)
Payments for labor and employee benefits	(40,064,432)	(41,099,420)
Payments for claims and insurance	(1,225,873)	(1,418,887)
Net cash used in operating activities	<u>(42,577,054)</u>	<u>(48,789,778)</u>
Cash flows from noncapital financing activities:		
Sales tax	30,460,859	29,723,057
Federal assistance grants	15,745,419	17,321,288
State assistance grants	557,804	631,559
Other	830,977	1,234,350
Net cash provided by noncapital financing activities	<u>47,595,059</u>	<u>48,910,254</u>
Cash flows from capital and related financing activities:		
Capital grants received	19,273,336	19,726,192
Additions to property and equipment	(26,067,504)	(23,241,279)
Interest paid on bonds and notes payable	(142,751)	(211,810)
Payments of bonds payable	(830,000)	(1,260,000)
Net cash used in capital and related financing activities	<u>(7,766,919)</u>	<u>(4,986,897)</u>
Cash flows from investing activities:		
Purchases of investment securities	(15,000,000)	(22,792,354)
Proceeds from sale or maturity of investment securities	29,865,000	20,832,000
Interest received	689,210	946,885
Net cash provided by investing activities	<u>15,554,210</u>	<u>(1,013,469)</u>
Net increase (decrease) in cash and cash equivalents	12,805,296	(5,879,890)
Cash and cash equivalents at beginning of year	<u>2,296,655</u>	<u>8,176,545</u>
Cash and cash equivalents at end of year	<u>\$ 15,101,951</u>	<u>2,296,655</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (58,147,921)	(60,854,772)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	14,018,493	13,839,570
Changes in assets and liabilities:		
Accounts receivable – other	(218,898)	(116,399)
Materials and supplies	33,752	(92,014)
Prepaid expenses and deposits	89,235	(570,237)
Accounts payable	742,612	(1,433,211)
Accrued expenses and unredeemed fares	905,673	437,285
Net cash used in operating activities	<u>\$ (42,577,054)</u>	<u>(48,789,778)</u>

See accompanying notes to financial statements.

Greater Dayton Regional Transit Authority

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(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 2010 will be recognized as revenue in 2010. 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

Greater Dayton Regional Transit Authority

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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 \$5,000 after December 31, 2009) 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.

Greater Dayton Regional Transit Authority

Notes To Financial Statements

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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.

(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, 2010 or 2009.

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

Greater Dayton Regional Transit Authority

Notes To Financial Statements

December 31, 2010 and 2009

reflected in income in the period to which they are applicable. The authority had \$10.6 million in federal funds awarded but not yet used as of year end 12-31-10. These funds can be used in future years for Preventative Maintenance, ADA Operating Assistancess and JARC & New Freedom Operating projects as specified in the grant agreements.

(m) Capital Grants

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from the Federal Transit Administration (FTA) or Ohio Department of Transportation (ODOT) are recorded as capital grants receivable. The authority had \$8.0 million in federal funds awarded but not yet used as of year end 12-31-10. These funds can be used in future years for Capital Purchases, JARC & New Freedom Capital Projects, and Planning projects as specified in the grant agreements.

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

(n) Classification of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and special transit fares and charter 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 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.

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Notes To Financial Statements

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(3) Accounts Receivable

Accounts receivable at December 31, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Sales Tax	\$ 8,387,622	\$ 7,856,808
Federal Operating and Preventive Maintenance Assistance	1,555,516	
Federal Capital Grants	2,568,819	333,798
State Capital Grants	2,274,648	
Interest	34,396	173,491
Other	643,510	278,202
Gross Receivables	<u>15,464,511</u>	<u>8,642,299</u>
Less Allowance for Uncollectibles	<u>(14,011)</u>	<u>(15,526)</u>
Net Total Receivables	<u>\$ 15,450,500</u>	<u>\$ 8,626,773</u>

(4) Cash and Investments

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). However, Ohio Attorney General Opinion No. 89-080 authorized the use of forward pricing mechanisms, see Note 11 to the Financial Statements for specific details of this program. The fuel futures working capital balance was \$123,071 at December 31, 2010. 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 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, 2010 and 2009, the carrying amount of the Authority's deposits was \$192,028 and \$277,211, respectively, as compared to bank balances of \$400,570 and \$335,124, respectively. Of

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the bank balances at December 31, 2010 and 2009, \$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, 2010, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity(1)</u>	<u>Rating(2)</u>
Federal Home Loan Bank	\$ <u>8,653,932</u>	<u>8,545,252</u>	1,153	AAA/Aaa
STAR Ohio(3)	\$ <u>14,788,112</u>	<u>14,788,112</u>	Daily	AAAm

As of December 31, 2009, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Maturity(1)</u>	<u>Rating(2)</u>
Federal Home Loan Bank	\$ <u>23,851,971</u>	<u>23,599,206</u>	1,287	AAA/Aaa
STAR Ohio(3)	\$ <u>1,674,899</u>	<u>1,674,899</u>	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 \$8,653,932 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.

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(5) Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Capital assets not being depreciated:				
Land and land improvements	\$ 7,361,536	-	-	7,361,536
Construction in progress	1,993,622	1,317,209	-	3,310,831
Total capital assets not being depreciated	9,355,158	1,317,209	-	10,672,367
Capital assets being depreciated:				
Revenue producing and service equipment	90,265,308	22,520,963	13,067,953	99,718,318
Buildings and structures	113,076,442	1,885,584	-	114,962,026
Office furnishings, shop equipment, and other	21,812,192	534,861	113,816	22,233,237
Total capital assets being depreciated	225,153,942	24,941,408	13,181,769	236,913,581
Less accumulated depreciation:				
Revenue producing and service equipment	46,740,102	8,046,347	12,893,820	41,892,629
Buildings and structures	52,316,732	4,264,882	-	56,581,614
Office furnishings, shop equipment, and other	18,926,133	1,707,264	113,816	20,519,581
Total accumulated depreciation	117,982,967	14,018,493	13,007,636	118,993,824
Total capital assets being depreciated, net	107,170,975	10,922,915	174,133	117,919,757
Total capital assets, net	\$ 116,526,133	12,240,124	174,133	128,592,124

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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	<u>10,599,034</u>	<u>23,246,989</u>	<u>24,490,865</u>	<u>9,355,158</u>
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	<u>220,331,363</u>	<u>24,490,865</u>	<u>19,668,286</u>	<u>225,153,942</u>
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	<u>123,788,992</u>	<u>13,839,570</u>	<u>19,645,595</u>	<u>117,982,967</u>
Total capital assets being depreciated, net	<u>96,542,371</u>	<u>10,650,295</u>	<u>22,691</u>	<u>107,170,975</u>
Total capital assets, net	<u>\$ 107,141,405</u>	<u>33,898,284</u>	<u>24,513,556</u>	<u>116,526,133</u>

(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.

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Bond activity for the year ended December 31, 2010 was as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Balance January 1 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2010</u>	<u>Due Within One Year</u>
Series 1997	4.15 to 5.55	\$ 2,625,000	-	830,000	1,795,000	875,000
		<u>\$ 2,625,000</u>	<u>-</u>	<u>830,000</u>	<u>1,795,000</u>	<u>875,000</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Balance January 1 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2009</u>	<u>Due Within One Year</u>
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
		<u>\$ 3,885,000</u>	<u>-</u>	<u>1,260,000</u>	<u>2,625,000</u>	<u>830,000</u>

The annual requirements to pay principal and interest on the bonds outstanding at December 31, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 875,000	95,175	970,175
2012	920,000	55,070	975,070
	<u>\$ 1,795,000</u>	<u>150,245</u>	<u>1,945,245</u>

(7) Pension Plan

(a) Plan Description

The Authority contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing, multiple-employer retirement system. OPERS administers three separate pension plans as described below:

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

Greater Dayton Regional Transit Authority

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the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

(b) Funding Policy

Plan members are required to contribute a percentage of their annual covered salary (10% in 2010 and 2009), and the Authority is required to contribute an actuarially determined rate. The employer contribution rates were 14% for 2010 and 2009, 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, 2010 and 2009 were \$3,912,005 and \$3,935,416, 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

(a) Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

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

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OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

(b) Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Authority's contributions for post-employment benefits were \$1,537,418 and \$1,641,134 for the years ended December 31, 2010 and 2009, respectively.

(c) OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

(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, 2010 and 2009 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

Greater Dayton Regional Transit Authority

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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, 2010.

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

	2010	2009
Accrued self-insurance - beginning of year	\$ 2,868,782	\$ 2,912,282
Current year additions	1,122,487	1,381,952
Claims paid - during year	<u>(1,165,691)</u>	<u>(1,425,452)</u>
Accrued self-insurance - end of year	<u>\$ 2,825,578</u>	<u>\$ 2,868,782</u>

(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 totaled \$19.8 million 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, 2010, 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

Greater Dayton Regional Transit Authority

Notes To Financial Statements

December 31, 2010 and 2009

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 2010 and 2009, losses of \$276,727 and \$2,359,514 were recognized as increases in fuel expense. On December 31, 2010, the remaining open contracts had \$247,355 of unrealized loss which corresponds to the expected cost of fuel being lower over future fiscal periods.

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

During 2009, the purchase of futures contracts was suspended; however, during November 2010 RTA resumed fuel hedging program.

(12) Contingencies and Commitments

(a) *ARRA Funding*

The one time ARRA 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 needs. This funding may not be 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, 2010, the Authority had outstanding purchase commitments of less than \$1 million for capital projects in progress including the renovation of the Northwest Transit Center, work on the overhead wire system, capital tire leases, computer software, and equipment purchases.

Greater Dayton Regional Transit Authority

Notes To Financial Statements

December 31, 2010 and 2009

(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 concluded during 2010. A new labor agreement running through April 1, 2012 was signed by both parties.

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.

(f) *Senate Bill 5*

Subsequent to the close of fiscal year 2010 and during the audit review period, the Ohio Senate and House of Representatives passed Senate Bill 5 which may have a future financial impact on GDRTA. The bill was signed into law by the Governor but the implementation is on hold while challengers gather signatures to have the issue voted on in the November 2011 General Election. Senate Bill 5 contains provisions that may impact both union and local governments. At this time it is difficult to quantify the potential financial impact on GDRTA (positive or negative) as the legislation is new and many questions remain to be answered. Management will study the bill, consult with counsel, and provide more information on the impact to GDRTA in a future audit report if the measure stands after current challenges and is enacted by the State of Ohio.

Greater Dayton Regional Transit Authority
Schedule of Expenditures Applicable to Federal Awards
For the year ended December 31, 2010

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Date</u>	<u>Accrual Method Expenditures</u>
FTA - Section 5309 Grants				
	OH-03-0264	20.500	Mar-05	\$ 203,199
	OH-04-0045	20.500	Sep-09	179,757
	OH-04-0066	20.500	Sep-10	950,000
	OH-04-0080	20.500	Dec-10	2,070,000
	OH-05-0096	20.500	May-09	1,010,575
	OH-05-0100	20.500	Jun-10	5,239,495
	OH-05-0102	20.500	Aug-10	217,788
ARRA	OH-56-0001	20.500	Jun-09	533,208
		5309	Total	10,404,022
FTA - Section 5307 Grants				
	OH-90-X519	20.507	Sep-06	173,728
	OH-90-X541	20.507	Apr-06	976,026
	OH-90-X615	20.507	Mar-08	317,336
	OH-90-X650	20.507	Feb-09	10,707
	OH-90-X664	20.507	Aug-09	6,835,553
ARRA	OH-96-X005	20.507	Jun-09	10,803,488
	OH-95-X042	20.507	Apr-10	1,260,000
	OH-90-X681	20.507	Aug-10	8,067,473
		5307	Total	28,444,311
Passed through the Ohio Department of Transportation				
Federal Highway Administration Funded Project				
SUA-0057-050-101	OH-95-X050	20.507	Aug-10	\$ 2,274,648
			Passed through ODOT	Total
				2,274,648
FTA - JARC/NF Grants				
5316	OH-37-X052	20.516	Aug-08	41,803
5316	OH-37-X063	20.516	Sep-09	117,293
5317	OH-57-X014	20.521	Jul-08	70,200
5317	OH-57-X025	20.521	Sep-09	36,304
		5316/5317	Total	265,600
TOTAL EXPENDITURES APPLICABLE TO FEDERAL AWARDS				\$ 41,388,581

Greater Dayton Regional Transit Authority
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

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, 2010. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations,” using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

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

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, 2010, and have issued our report thereon dated April 7, 2011. 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.

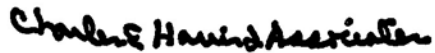
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies 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.

A handwritten signature in black ink that reads "Charles E. Harris".

Charles E. Harris & Associates, Inc.

April 7, 2011

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL 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 apply to its major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Authority's major federal programs. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining 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 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.

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 deficiencies, 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.

April 7, 2011

**GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2010**

Schedule of Findings

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 \$1,241,651.
11. The Authority was determined to be a low-risk auditee.

B. Findings - Financial Statement Audit

None

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

None

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of December 31, 2009, reported no material citations or recommendations.



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
JULY 05, 2011**