GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dave Yost • Auditor of State

GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY
DECEMBER 31, 2017

TABLE OF CONTENTS

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Greater Dayton Regional Transit Authority, Montgomery County, Ohio (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Greater Dayton Regional Transit Authority, Montgomery County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2017, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Additionally, as discussed in Note 13 to the financial statements, the implementation of this GASB pronouncement resulted in the inclusion of a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for the Retiree Death Benefit Plan. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and *schedules of net pension liabilities/(asset), pension contributions, changes in the Authority's net OPEB liability and related ratio, retiree death benefit plan contributions, and retiree death benefit investment returns* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018

This page intentionally left blank.

As financial management of the Greater Dayton Regional Transit Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in net position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights for 2017

- The Authority's total net position decreased by $1.5 million or 1.1% over the course of the year's operations. The most significant factor contributing to the net decrease includes a $22.2 million loss from ongoing operations. The major offsetting factor includes $20.7 million of capital grant funding awarded by the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT).
- Operating revenues decreased $0.8 million or 9.6% in comparison to 2016 due to an Amalgamated Transit Union (ATU) Local 1385 labor strike and lower ridership. This category consists of passenger fares and special transit fares.
- Sales tax revenue (net of the sales tax collection fee) decreased $1.9 million or 4.5% in comparison to 2016. Sales tax accounts for approximately 60% of all funding for 2017 and 63% for 2016. This year's decrease is tied to the July 1, 2017 elimination of Medicaid Managed Care tax. The State of Ohio provided $2.3 million of Transitional Aid during the second half of 2017 to offset the elimination of the Medicaid Managed Care tax. During the first half of 2018 another $2.3 million of Transitional Aid will be received by the Authority.
- Federal operating assistance decreased by $.2 million or 1.5% in comparison to 2016. This relates to how the Authority allocates Federal funds for operating and capital expenditure purposes. The Authority is setting aside more Federal funds for capital expenditure purposes in order to fund revenue vehicle purchases over the next several years.
- Interest income was $25,000 or 5.5% lower than 2016 due to a consistent interest rate environment offset by a smaller investment pool. Management continues to focus efforts aimed at maximizing interest income.
- Operating expenses, excluding depreciation, increased by $5.8 million or 8.5% in comparison to 2016. Fringe benefits expense increased $6.7 million or 30.3% as a result of recording accrued employee and retiree pension 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 position and changes in net position in addition to the basic financial statements themselves.

Required Financial Statements

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

Reporting the Authority as a Whole

The Statement of Net Position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the assets and deferred outflows of resources less the liabilities and deferred inflows of resources reported as net position.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial capacity of the Authority is improving or deteriorating. An increase in assets and deferred outflows of resources without a corresponding increase in liabilities and deferred inflows of resources will also result in increased net position, which indicates improved financial condition.

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

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what were the changes in the cash balances during the reporting period.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Authority under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Authority's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Authority's fiduciary fund is an employee benefit trust fund which accounts for the Authority's Retired Employees Self-Insured Death Benefit Plan.

Notes to the Financial Statements and Required Supplementary Information

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

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 Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; and the Statement of Cash Flows report information about the Authority's activities in a way that will help answer this question. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. In this regard, the requirements of Governmental Accounting Standards Board (GASB) No. 68 and No. 71

required the Authority to record an initial additional liability of approximately $29 million dollars thereby decreasing the Authority's net position by a material amount. At the end of 2017 that liability has grown to $56.4 million dollars.

One will need to consider other nonfinancial factors such as changes in economic conditions, population decline or growth and new or changed governmental legislation. In this regard, primarily several years ago, the greater Dayton area experienced the loss of numerous businesses and employment opportunities for its residents, our riders. However, during 2017 we continued to see signs of slow but steady economic growth in our region.

As shown in the Statement of Revenues, Expenses and Change in Net Position, the Authority received from the Federal Government non-operating funds of approximately $14.8 million in 2017 which compares to $15.1 million in 2016. This decrease is due to a change in how the Authority allocates Federal funds for capital expenditure purposes. The Authority is setting aside more Federal funds for capital expenditure purposes in order to purchase revenue vehicles over the next several years. It is important to note regarding Federal and State assistance, that given the financial uncertainty surrounding the economy and the increased pressure on governments to reduce spending and to achieve balanced budgets, the amount of such assistance in future years remains uncertain. Loss or decrease of such assistance would have a significant adverse impact on the financial results of the Authority.

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

Under GASB No. 68, the net pension liability equals the Authority's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service, minus plan assets available to pay these benefits.

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

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

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

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

In June 2015 GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The intent of these new standards for accounting and reporting other postemployment benefits (OPEB) is to improve the usefulness of information reported about OPEB by state and local governments. The statements establish standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense for OPEB.

The Authority implemented the standards of GASB Statement No. 74 as of and for the year ended December 31, 2017. Note 14 to the financial statements describes the impact of the implementation on the December 31, 2017 report. The Authority plans to implement GASB Statement No. 75 as of and for the year ended December 31, 2018. The potential impact to the Authority's 2018 financial statements is yet to be determined; however, staff will be monitoring implementation steps on an ongoing basis.

Net Position	**2017**	**2016**
Current assets	$ 31,530,307	$ 33,187,336
Non-current assets	26,552,289	30,753,470
Capital assets, net	122,722,642	112,179,221
Total assets	180,805,238	176,120,027
Deferred outflows of resources	22,440,167	17,286,235
Current liabilities	14,873,770	16,804,811
Non-current liabilities	58,103,827	44,382,978
Total liabilities	72,977,597	61,187,789
Deferred inflows of resources	420,482	875,758
Net position:		
Net Investment in capital assets	122,722,642	112,179,221
Unrestricted	7,124,684	19,163,494
	$ 129,847,326	$ 131,342,715

Capital Assets

The largest portion of the Authority's net position is its investment in capital assets. Capital assets include land and land improvements, construction in progress, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and other. The Authority uses substantially all of these capital assets to provide public transportation services. Substantially, most of these assets are not available to liquidate liabilities or for other spending.

Equity related to capital acquisitions is reflected in the line item "Net investment in capital assets". The equity includes funding provided by the Federal Transit Administration (FTA) and the State of Ohio Department of Transportation (ODOT). The Authority's investment in capital assets, net of accumulated depreciation, was $122.7 million as of December 31, 2017, an increase of $10.5 million from 2016 as capital asset expenditures exceeded depreciation expense during the year. However, approximately 81% of the equity pertains to the FTA and ODOT, whereas approximately 19% relates to local match dollars provided by the Authority. The equity related to the FTA and ODOT cannot be liquidated to provide a source of cash flow, as any premature sale would require payments to both the FTA ($92.8 million) and ODOT ($6.7 million) for their remaining equity in capital equipment as of year-end 2017.

Major capital asset expenditures during 2017 included the following:

- Twenty-five 40-foot diesel buses
- Forty-five ADA paratransit buses
- Facility upgrades, including bus stop shelters with amenities, office and maintenance building renovations, and service vehicles
- Technology upgrades including new radios

Greater Dayton Regional Transit Authority
Management's Discussion and Analysis
For the year ended December 31, 2017
(Unaudited)

Net Position

Net position decreased $1.5 million in 2017.

Changes in Net Position	**2017**	**2016**
Operating revenues	$ 7,702,909	$ 8,520,461
Operating expenses excluding depreciation	(73,647,474)	(67,878,874)
Depreciation expense	(14,491,227)	(12,964,784)
Operating Loss	(80,435,792)	(72,323,197)
Non-operating revenues (expenses)		
Sales tax proceeds, net	39,796,221	41,678,045
State assistance	2,302,727	17,818
Federal assistance	14,832,630	15,055,845
Investment income	425,514	450,478
Net increase (decrease) in fair value of investments	(232,478)	(75,880)
Regional transit subsidies	-	(1,550,000)
Other	1,133,247	938,400
Net non-operating revenues	58,257,861	56,514,706
Capital grant equity	20,682,542	23,017,235
Change in net position	(1,495,389)	7,208,744
Net position, beginning of year	131,342,715	124,133,971
Net position, end of year	$ 129,847,326	$ 131,342,715

Operating revenues for the Authority were $7.7 million in 2017, down from $8.5 million in 2016 as the result of an ATU labor strike and lower ridership.

Operating expenses, excluding depreciation, increased $5.8 million or 8.5% during 2017. As a result of GASB No. 68 fringe benefits expense increased by $6.7 million or 30.3% as a result of recording accrued employee and retiree pension expense. However, there were cost savings related to materials, supplies, fuels and lubricants.

Non-operating revenues, net, were $58.3 million during 2017, an increase of $1.7 million or 3.1% from 2016. The major contributing factor relates to a 2016 transfer of funds to Greene CATS Public Transit and Miami County Public Transit. The one-time transfer of funds totaled $1.6 million.

Additional Information of Significance

As described in Note 11 to the financial statements, the Authority attempted to mitigate the impact of significant fluctuations in the cost of diesel fuel. This was accomplished (up to October 2016) through the purchase of fuel futures contracts. Differences between the contract and actual prices result in gains or losses.

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

Four prototype dual mode buses costing $1.4 million each remain on site and have been fully tested. These buses are designed to run both on the existing trolley wires and off-wire for significant distances at normal operating speeds. The new technology employed in these buses will be utilized in the near future, as the entire trolley fleet will need to be replaced in the next few years.

Requests for Information

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

Greater Dayton Regional Transit Authority

Statement of Net Position

As of December 31, 2017

	2017
Assets	
Current assets:	
Cash and cash equivalents (note 4)	$ 6,441,169
Short-term investments (note 4)	7,607,394
Accounts receivable, less allowance for doubtful accounts of $12,277 in 2017 (note 3)	12,301,729
Materials and supplies	4,007,621
Prepaid expenses and deposits	1,172,394
Total current assets	31,530,307
Non-current assets:	
Long-term investments (note 4)	26,412,811
Net pension asset (notes 2 & 7)	139,478
Capital assets (note 6):	
Land	7,361,536
Revenue producing and service equipment	102,579,927
Buildings and structures	135,672,220
Office furnishings, shop equipment and other	17,598,985
Construction in progress	14,800,970
Less accumulated depreciation	(155,290,996)
Total capital assets - net	122,722,642
Total non-current assets	149,274,931
Total assets	180,805,238
Deferred Outflows of Resources	
Pensions (notes 2 & 7)	22,440,167
Total assets and deferred outflows of resources	$ 203,245,405
Liabilities	
Current liabilities:	
Accounts payable	$ 1,514,899
Accrued payroll and related benefits	5,870,145
Accrued self-insurance (note 9)	6,349,533
Unearned fare revenue	807,779
Other accrued expenses	331,414
Total current liabilities	14,873,770
Non-current liabilities	
Accrued compensated absences	1,738,421
Net pension liability (notes 2 & 7)	56,365,406
Total non-current liabilities	58,103,827
Total liabilities	72,977,597
Deferred Inflows of Resources	
Pensions (notes 2 & 7)	420,482
Total liabilities and deferred inflows of resources	73,398,079
Net Position	
Net investment in capital assets (note 2)	122,722,642
Unrestricted (note 5)	7,124,684
Total net position	129,847,326
Total liabilities, deferred inflows of resources and net position	$ 203,245,405

See accompanying notes to financial statements.

Greater Dayton Regional Transit Authority

Statement of Revenues, Expenses, and Change in Net Position

For the year ended December 31, 2017

	2017
Operating revenues	
Passenger fares	$ 7,702,909
Operating expenses:	
Labor	29,927,953
Fringe benefits	28,665,493
Contractual services	3,810,199
Materials and supplies	7,300,093
Utilities and propulsion power	1,439,237
Claims and insurance	1,617,448
Other	887,051
Total operating expenses excluding depreciation	73,647,474
Operating loss before depreciation expense	(65,944,565)
Depreciation expense	14,491,227
Total operating expenses	88,138,701
Operating loss	(80,435,792)
Nonoperating revenues (expenses):	
Sales tax proceeds (note 2)	40,198,203
Sales tax collection fee (note 2)	(401,982)
State assistance	2,302,727
Federal assistance	14,832,630
Interest on investments	425,514
Net decrease in fair value of investments	(232,478)
Other	1,133,247
Total nonoperating revenues, net	58,257,861
Loss before capital grant equity	(22,177,931)
Capital grant equity (note 2)	20,682,542
Decrease in net position	(1,495,389)
Net position – beginning of year	131,342,715
Net position – end of year	$ 129,847,326

See accompanying notes to financial statements.

Greater Dayton Regional Transit Authority

Statement of Cash Flows

For the year ended December 31, 2017

	2017
Cash flows from operating activities:	
Receipts from fares	$ 7,583,582
Payments to suppliers	(15,920,895)
Payments for labor and employee benefits	(49,654,268)
Payments for claims and insurance	(1,415,242)
Net cash used in operating activities	(59,406,823)
Cash flows from noncapital financing activities:	
Sales tax	40,679,883
Federal assistance grants	14,832,630
State assistance	2,302,727
Other	1,133,247
Net cash provided by noncapital financing activities	58,948,487
Cash flows from capital and related financing activities:	
Capital grants received	23,012,976
Additions to property and equipment	(25,034,648)
Net cash used in capital and related financing activities	(2,021,672)
Cash flows from investing activities:	
Purchases of investment securities	(9,406,805)
Proceeds from sale or maturity of investment securities	12,495,000
Interest received	423,688
Net cash provided by investing activities	3,511,883
Net increase in cash and cash equivalents	1,031,875
Cash and cash equivalents at beginning of year	5,409,294
Cash and cash equivalents at end of year	$ 6,441,169
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (80,435,792)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,491,227
Changes in assets and liabilities:	
Accounts receivable – other	(195,456)
Materials and supplies	3,202
Prepaid expenses and deposits	561,657
Deferred outflows of resources and net pension asset	(5,166,193)
Accounts payable	(1,933,329)
Accrued expenses	(78,735)
Deferred inflows of resources and net pension liability	13,346,596
Net cash used in operating activities	$ (59,406,823)

See accompanying notes to financial statements.

Greater Dayton Regional Transit Authority

Statement of Fiduciary Net Position
Retiree Death Benefit Plan

For the year ended December 31, 2017

		2017
Assets		
Cash and cash equivalents	$	107,032
Receivables:		
Contributions		569,041
Investment income		3,000
Total receivables		572,041
Investments:		
Fixed income		790,028
Total investments		790,028
Total assets	$	1,469,101
Liabilities		
Payables:		
Amounts payable	$	-
Total liabilities		-
Net position restricted for postemployment benefits other than pensions	$	1,469,101

See accompanying notes to financial statements.

Greater Dayton Regional Transit Authority

Statement of Changes in Fiduciary Net Position
Retiree Death Benefit Plan

For the year ended December 31, 2017

		2017
Additions		
Employer contribution	$	56,621
Employer contribution receivable		569,041
Investment income:		
Interest		10,160
Realized gain on sale of investments		392
Net investment income		10,552
Total additions		636,214
Deductions		
Benefit payments		82,000
Investment expense:		
Net decrease in fair value of investments		3,561
Net investment expense		3,561
Total deductions		85,561
Net increase in net position		550,653
Net position restricted for postemployment benefits other than pensions		
Beginning of year		918,448
End of year	$	1,469,101

See accompanying notes to financial statements.

(1) Authority and Reporting Entity

(a) *The Authority*

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

(b) *Reporting Entity*

The accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Governmental Accounting Standards Board (GASB) Statements No. 14, 39, and 61, the Authority has no component units nor is it considered a component unit of any other governmental authority. The conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America 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 full accrual basis of accounting with an economic resources measurement focus. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2017 will be recognized as revenue in 2017. 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.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Authority under a trust agreement for individuals, private organizations, or other governments and are not available to support the Authority's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Authority's fiduciary fund is an employee benefit trust fund which accounts for the Authority's Retired Employees Self-Insured Death Benefit Plan. The employee benefit trust fund is reported using the economic resources measurement focus and the accrual basis of accounting.

(b) Budgetary Accounting and Control

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

(c) Cash and Cash Equivalents

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

(d) Investments

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

(e) Materials and Supplies

Materials and supplies are recorded at average cost and consist principally of electric trolley wire, maintenance supplies and repair parts.

(f) Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of a year. Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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	3 to 8 years

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

(g) Compensated Absences

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

(h) Net Position

Equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Approximately 81% of the equity pertains to the Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT).

Restricted – The portion of the net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed. The Authority does not have restrictions on its net position at December 31, 2017.

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

(i) Passenger Fares

Passenger fares are recorded as revenue at the time services are performed. Fares received in advance of the services are recorded as unearned revenue.

(j) Sales Taxes

The Authority receives the proceeds of a one-half percent sales and use tax as approved by the residents of Montgomery County. The sales tax is collected by vendors within Montgomery County and remitted to the Ohio Department of Taxation, which charges a one percent administrative fee for its service. Sales tax revenue is recognized in the month collected by the vendors. Effective July 1, 2017 Medicaid Managed Care is no longer a taxable item. The State of Ohio provided $2.3 million of Transitional Aid during the second half of 2017 to offset the elimination of the Medicaid Managed Care tax. During the first half of 2018 another $2.3 million of Transitional Aid will be received by the Authority.

(k) Federal Operating and Preventative Maintenance Assistance Funds

Federal operating and preventative maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, are recorded and reflected in income in the period to which they are applicable. The Authority had $3.0 million in federal funds awarded but not yet used at December 31, 2017. These funds can be used in future years for Preventative Maintenance, ADA Operating Assistance and Job Access Reverse Commute (JARC) & New Freedom Operating projects as specified in the grant agreements.

(l) Capital Grants

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from the FTA or ODOT are recorded as capital grants receivable. The Authority had $34.1 million in federal funds awarded but not yet used as of December 31, 2017. 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.

(m) Capital Grant Equity

On the Statement of Revenues, Expenses, and Change in Net Position, Capital Grant Equity is the amount of capital grant funding awarded from the FTA and ODOT.

(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 contract service. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, and local grants.

(o) Estimates

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

(p) Derivatives

GASB Statement No. 53, Accounting and Reporting for Derivative Instruments provides, among other things, the accounting and reporting requirements that the Authority utilizes for its fuel hedging activity.

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

(q) Pensions

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

(3) Accounts Receivable

Accounts Receivable at December 31, 2017 were as follows:

		2017
Sales Tax (net of Sales Tax Collection Fee)	$	9,932,462
Federal capital grants		1,811,604
Interest		63,962
Other		505,978
Gross Receivables		12,314,006
Less: Allowance for Doubtful Accounts		(12,277)
Net Total Receivables	$	12,301,729

(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, 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 Financial Industry Regulatory Authority, Inc. for a period not exceeding thirty days. The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative) except for forward pricing mechanisms.

Ohio Attorney General Opinion No. 89-080 authorized the use of forward pricing mechanisms. See Note 11 to the Financial Statements for specific details of this program. The fuel futures working capital balance was $340,069 at December 31, 2017. 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 102% 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, 2017 the carrying amount of the Authority's deposits was $6,101,100 as compared to bank balances of $6,937,486. Included in these amounts are deposits held with STAR Ohio of $5,221,159 at December 31, 2017. Of the bank balances at December 31, 2017, $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.

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

The STAR Ohio investment securities, other than money market funds, are valued according to the amortized cost method (which approximates fair value) whereby a security is valued at cost, adjusted for the amortization of any premiums or accretion of any discounts, over the period until maturity. Investment in money market funds are valued at quoted market values. The STAR Ohio fund had an average 45 days to maturity at June 30, 2017 and is rated AAAm by Standard and Poor's.

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

(b) *Investments*

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

As of December 31, 2017, the Authority had the following investments:

Investment Type	Fair Value	Par Value	Maturity (1)	Ratings (2)
Federal agency notes & bonds	$6,680,140	6,814,000	1,044	Aaa / AA+
Negotiable certificates of deposit	$27,340,065	27,640,000	876	No Rating

(1) Weighted maturity – days
(2) Moody's / S&P

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

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

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

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

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

Investment Type	Percentage of Total Investments
	2017
Federal Home Loan Bank	4.33%
Federal Farm Credit Bank	1.66%
Federal Home Loan Mortgage Corporation	2.17%
Federal National Mortgage Association	11.48%
Negotiable Certificates of Deposit	80.36%

(5) Board Designations

Annually the Board of Trustees may designate amounts as required by the Authority's Board Policy #26, Designation of Unrestricted Net Position. For 2017 the Board has designated the entire unrestricted net position for capital purchases as related to the Authority's multi-year Capital Budget.

(6) Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

Issue	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets not being depreciated:				
Land and land improvements	$ 7,361,536	$ -	$ -	$ 7,361,536
Construction in progress	17,296,802	4,238,704	6,734,536	14,800,970
Total capital assets not being depreciated	24,658,338	4,238,704	6,734,536	22,162,506
Capital assets being depreciated:				
Revenue producing and service equipment	109,999,791	15,869,868	23,289,732	102,579,927
Buildings and structures	128,814,424	6,857,796	-	135,672,220
Office furninshings, shop equipment, and other	20,721,296	4,802,816	7,925,127	17,598,985
Total capital assets being depreciated	259,535,511	27,530,480	31,214,859	255,851,132
Less accumulated depreciation:				
Revenue producing and service equipment	73,797,349	8,479,335	23,289,732	58,986,952
Buildings and structures	78,934,307	4,566,059	-	83,500,366
Office furninshings, shop equipment, and other	19,282,972	1,445,833	7,925,127	12,803,678
Total accumulated depreciation	172,014,628	14,491,227	31,214,859	155,290,996
Total capital assets being depreciated, net	87,520,883	13,039,253	-	100,560,136
Total capital assets, net	$ 112,179,221	$ 17,277,957	$ 6,734,536	$ 122,722,642

(7) Defined Benefit Pension Plans

Net Pension Liability

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

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

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

GASB No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

All Authority employees participate in OPERS, a cost-sharing multiple-employer public employee retirement system comprised of three separate plans: the Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan. All are administered by OPERS. OPERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 145. OPERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by visiting the OPERS website at www.opers.org under Financial / Annual Reports (https://www.opers.org/financial/reports.shtml#CAFR), by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Authority is required to contribute 14 percent of annual covered payroll, which are the current statutory maximum amounts. The rates are the same for all three Plans. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 1.0% for 2017. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary.

The Authority's contractually required contribution to OPERS was $4,522,225 for 2017.

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

The net pension liability (Traditional Plan) and net pension asset (Combined Plan) reported by the Authority at December 31, 2017 was measured by OPERS at December 31, 2016, and the total pension liability and total pension asset were determined by an actuarial valuation as of that date. The Authority's proportion of both was based on the Authority's share of contributions to each pension plan relative to the contributions of all participating entities. Following is information related to the proportionate shares:

	Traditional Plan	Combined Plan
Proportionate Share of the Net Pension Liability/(Asset)	$56,365,406	($139,478)
Proportion of the Net Pension Liability/Asset - Current Period	0.248215%	0.250604%

For the year ended December 31, 2017 the Authority recognized pension expense of $12,702,628.

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Traditional Plan	Combined Plan	Total
Deferred inflows of resources			
Difference between expected and actual experience	$ 330,773	70,840	401,613
Change in proportionate share and differences between Authority contibutions and proportionate share of contributions		18,869	18,869
Total deferred inflows of resources	$ 330,773	89,709	420,482
Deferred outflows of resources			
Difference between expected and actual experience	$ 76,399	-	76,399
Net difference between projected and actual earnings on pension plan investments	8,274,188	35,381	8,309,569
Change in proportionate share and differences between Authority contibutions and proportionate share of contributions	557,736	-	557,736
Assumption changes	8,940,244	33,994	8,974,238
Authority contributions subsequent to the measurement date	4,522,225	-	4,522,225
Total Deferred outflows of resources	$ 22,370,792	69,375	22,440,167

The deferred outflows and inflows of resources at December 31, 2017 will be recognized in pension expense as follows:

Year ended December 31:	Tradional Plan	Combined Plan	Total
2018	$ 7,400,051	$ 4,724	$ 7,404,775
2019	7,399,835	4,724	7,404,559
2020	2,963,961	3,358	2,967,319
2021	(246,054)	(9,221)	(255,275)
2022		(7,949)	(7,949)
Thereafter		(15,969)	(15,969)
	$ 17,517,793	$ (20,333)	$ 17,497,460

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Plan	Combined Plan
Experience study	5 year period ended 12/31/2015	5 year period ended 12/31/2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions		
Investment rate of return	7.50%	7.50%
Wage inflation	3.25%	3.25%
Projected salary increases	3.25% - 10.75% (includes wage inflation at 3.25%)	3.25% - 8.25% (includes wage inflation at 3.25%)
Cost of living adjustments	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the Voluntary Employee's Beneficiary Association (VEBA) Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expense, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results for all plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's Net Pension Liability/(Asset)			
Traditional Plan	$86,110,748	$56,365,406	$31,577,912
Combined Plan	$10,024	($139,478)	($255,616)

(8) Other Post-Employment Benefits

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 health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

Employer Specific Information

The rates stated in the Funding Policy section, above, are the contractually required contribution rates for OPERS. The Authority's contributions for post-employment benefits were $347,864, $686,023, and $651,296 for the years ended December 31, 2017, 2016, and 2015, respectively. The full amount has been contributed for all three years.

(9) Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; cyber-attacks and natural disasters. The Authority entered into contracts with a number of insurance companies whereby it receives loss coverage in exchange for premiums. Loss limits and deductibles are established for each type of coverage by the specific insurer. At December 31, 2017 liability reserves for this type of risk totaled $1,200,000.

In 2014, the Authority became self-insured for its employees' medical and dental claims, with stop-loss insurance limiting claims liability. At December 31, 2017 medical and dental claims reserves were $572,504 and $17,201, respectively.

The Authority is also self-insured for workers' compensation claims up to a limit of $500,000 per claim at which point stop-loss insurance becomes effective. A reserve has been provided at December 31, 2017 for the estimated potential claim liability based upon an actuary's estimate. This liability is classified as current although some portion may not be paid within one year. Management believes that, based on prior experience, the estimated reserve for claims is adequate to satisfy all claims filed or to be filed for incidents which occurred through December 31, 2017. Reserves for workers' compensation claims were $4,559,827 at December 31, 2017.

For 2017, there were no significant changes in insurance coverage from the prior year in any major category of risk. In 2017, additions to the medical and dental plans exceeded current year claims paid by $648,535 and $11,123, respectively. In 2016, additions to the medical and dental plans exceeded current year claims by $1,942,401 and $19,726, respectively.

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

	2017
Accrued self-insurance - beginning of year	$5,405,143
Current year additions	9,936,306
Claims paid - during year	(8,991,916)
Accrued self-insurance - end of year	$6,349,533

(10) Capital and Other Grants

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

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

In 1998, the Authority entered into contracts with ODOT for two downtown Dayton projects, which included Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) funds. The process for receiving these federal funds required the Authority to enter into a contract with ODOT for each project in the amount of $3,303,000 for the Baseball Stadium Project and $3,675,000 for the RiverScape project. The

Authority also entered into agreements with the City of Dayton, who was responsible for all contracts associated with the transit related portions of the Baseball Stadium Project and Montgomery County, which was responsible for all contracts associated with the transit related portions of the RiverScape project. In 2000, the Authority entered into a contract with Montgomery County and the Arts Center Foundation as a participant in the Shuster Performing Arts Center project in the amount of $10,342,000.

The Authority has an obligation to ensure that the benefits received from these projects continue for a time period deemed appropriate to ensure Federal/State funds have fully vested in the project and that no Federal/State payback would be required by the sub-recipient. At December 31, 2017, the Authority continues to monitor these projects. All of these projects have a 20 year vesting period and would require partial payback of funding based on straight-line amortization, if the benefits received by the Authority are discontinued before the vesting period ends.

(11) Energy Forward Pricing Mechanisms

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

The Authority limited contracts for Ultra-Low Diesel (ULSD) futures to 95% of expected consumption in any one month. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of ULSD as of the date of the contract's creation. Losses for 2017 were $175,612 and this amount was recognized as an increase in fuel expense. On December 31, 2017, the remaining open contracts had $155,291 of unrealized gain which corresponds to the expected cost of fuel being higher over future fiscal periods. The open contracts expire at various times up to and including November 2018.

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

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

(12) Contingencies and Commitments

(a) Contingencies

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

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

(b) Commitments

At December 31, 2017, the Authority had outstanding purchase commitments of $19.6 million for various capital projects in progress including the purchase of transit buses; electric trolley system infrastructure; and the renovation of facilities.

(c) Litigation

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

(13) Change in Accounting Principle

For 2017, the Authority implemented GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The intent of this new standard for accounting and reporting other postemployment benefits (OPEB) is to improve the usefulness of information reported about OPEB by state and local governments. GASB Statement No. 74 sets standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense for OPEB. The implementation of the GASB pronouncement did result in changes to the Authority's financial statements, for the year ended December 31, 2017. A Statement of Fiduciary Net Position for the Retiree Death Benefit Plan is included as well as a Statement of Changes in Fiduciary Net Position for the Retiree Death Benefit Plan.

Additionally for 2017, the Authority implemented GASB Statement No. 77, "Tax Abatement Disclosures" and GASB Statement No. 80, "Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14".

GASB Statement No. 77 addresses the provision of information necessary to assess how tax abatements affect a government entity's financial position and results of operations, including their ability to raise resources in the future. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

(14) Retiree Death Benefit Plan

Plan Description

Plan administration. KeyBank Institutional Asset Services (KeyBank) serves as Trustee for the Authority's Retired Employees Self-Insured Death Benefit Plan (RDBP) – a single-employer defined benefit plan that provides postemployment benefits other than pensions for certain retired employees.

Trustee KeyBank holds, invests, reinvests and otherwise administers assets of the RDBP. The Authority's Human Resources department directs the Trustee regarding claim disbursement. The Authority's Finance Department regularly monitors actions of the Trustee and funds the Trust on an annual basis. Funding requirements are determined annually through an actuarial study.

At December 31, 2017, the Plan's membership consisted of the following:

Retirees	382
Active employees having met requirements of the plan	251
	633

Benefits provided.
For retirees the following rules applied:

- Benefit of $2,000 to surviving beneficiary of an employee who retired before January 1, 1980 provided the employee was 55 years old and had 17 years of continuous service with the Authority;
- Benefit of $3,500 to surviving beneficiary of an employee who retired on or after January 1, 1980 provided the employee was 55 years old and had 17 years of continuous service with the Authority;
- Benefit of $4,000 to surviving beneficiary of an employee who retired on or after April 3, 1988 provided the employee was 55 years old and had 17 years of continuous service with the Authority;
- Benefit of $4,500 to surviving beneficiary of an employee who retired on or after April 1, 1991 provided the employee was 55 years old and had 17 years of continuous service with the Authority;
- Benefit of $5,000 to surviving beneficiary of an employee who retired on or after April 1, 1993 provided the employee was 55 years old and had 15 years of continuous service with the Authority;
- Benefit of $6,000 to surviving beneficiary of an employee who retired on or after April 3, 1994 provided the employee was 55 years old and had 15 years of continuous service with the Authority;
- Benefit of $6,500 to surviving beneficiary of an employee who retired on or after April 6, 1997 provided the employee was 55 years old and had 15 years of continuous service with the Authority;
- American Federation of State, County and Municipal Employees (AFSCME) employees hired after December 1, 2005 are not eligible;
- Amalgamated Transit Union (ATU) Local 1385 employees hired after April 2, 2006 are not eligible;
- Non-union employees hired after July 6, 2006 are not eligible;
- Employees that die while employed with the Authority are not eligible;
- For permanent and total disability retirement, the employee must have a minimum of 5 years of continuous service with the benefit amount determined by the date of disability retirement.

For active employees the following rules apply:

- Benefit of $6,500 to surviving beneficiary of an employee who retires on or after April 6, 1997 provided the employee is 55 years old and has 15 years of continuous service with the Authority;
- AFSCME employees hired after December 1, 2005 are not eligible;
- ATU Local 1385 employees hired after April 2, 2006 are not eligible;
- Non-union employees hired after July 6, 2006 are not eligible;
- Employees that die while employed with the Authority are not eligible;
- For permanent and total disability retirement, the employee must have a minimum of 5 years of continuous service with the benefit amount determined by the date of disability retirement.

Contributions. The Authority maintains the KeyBank trust fund dedicated to the OPEB liability for the RDBP. An annual actuarial study determines annual funding requirements. The Authority's Board of Trustees approves the annual funding payments.

April 2017 the Authority made a deposit of $56,621 to fund the December 31, 2016 trust obligation.

May 2018 the Authority made a deposit of $127,878 to fund the December 31, 2017 trust obligation.

Investments

Investment policy. The trust was established for setting aside funds to pay death benefits to the estates of former employees retired from the Authority. Trustee KeyBank has complete control of the management and administration of the trust and has all powers necessary or convenient to enable it to exercise such control. The discretion of the Trustee in investing and reinvesting the principal and income of the trust shall be subject to such directions and instructions as the Authority may adopt and communicate to the Trustee in writing. It shall be the duty of the Trustee to act strictly in accordance with such instructions, and any changes therein, as so communicated in writing to the Trustee. The trust follows the Authority's investment policy, investing in only high-grade instruments, adhering to Ohio Revised Code Section 135.143. Unless otherwise directed by the Authority, the Trustee in its discretion may keep such portion of the trust in cash or cash balances as deemed in the best interest of the trust.

As of December 31, 2017, the RDBP had the following investment maturity days and ratings:

	Market Value	Maturity (1)	Ratings (2)
U.S. treasuries	$ 470,749	743	Aaa / AA+
Federal agency notes & bonds	319,279	870	Aaa / AA+

(1) Weighted maturity – days
(2) Moody's / S&P

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

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

Credit Risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's investment policy limits investments to, among others, obligations of the United States government or agencies thereof.

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

Concentration Risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification. The Authority's investment policy places no limits on the amount it may invest in any one issuer. The percentages that each investment represents to the total investments, as of December 31, 2017, are listed in the following table:

	Market Value	Percentage
U.S. treasuries	$ 470,749	52.48%
Federal agency notes & bonds	319,279	35.59%
Cash & cash equivalents	107,032	11.93%
Total investments, cash and cash equivalents	$ 897,060	100.00%

Rate of Return. For the year ended December 31, 2017, the trust had net income of $10,160. The annual money-weighted rate of return on investments, net of investment expense, was 1.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Receivables
A contribution receivable of $569,041 is included in the RDBP Statement of Fiduciary Net Position for the year ended December 31, 2017. Of this amount $127,878 is related to current retirees covered by the Plan. The remaining $441,163 is related to current active employees covered by the Plan.

Net OPEB Liability of the Authority

The components of the net OPEB liability of the Authority at December 31, 2017 were as follows:

Retirees OPEB liability	$ 1,027,938
Active employees OPEB liability	441,163
Total OPEB liability	1,469,101
Plan fiduciary net position	1,469,101
Authority's net OPEB liability	$ -0-
Plan fiduciary net position as a percentage of the total OPEB liability	100.00%

Actuarial assumptions. The total OPEB liability was determined by two separate actuarial valuations as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Retirees - investment rate of return	5.00%, based upon the Authority's historical average, net of OPEB plan investment expense, including inflation.
Active employees - investment rate of return	3.44%, based upon Bond Buyer Municipal Bond 20-year General Obligation Index, net of OPEB plan investment expense, including inflation.

Mortality rates for both actuarial valuations are based upon industry life tables.

For active employees, a retirement age of 63 was used for employees younger than 63 years old. If an employee is older than 63, the assumption is made the employee will retire at the end of the current fiscal year.

Discount rate. The discount rate used to measure the OPEB liability was 5.00% for retirees and 3.44% for active employees.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Authority's net OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 4.00%	1% Increase 6.00%
Retirees Net OPEB liability (asset)	$ 1,182,129	$ 873,747

	1% Decrease 2.44%	1% Increase 4.44%
Current active employees Net OPEB liability (asset)	$ 554,753	$ 356,245

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

	As of and for the years ended December 31,			
	2016	**2015**	**2014**	**2013**
Traditional plan				
Authority's proportion of net pension liability/(asset)	0.248215%	0.245730%	0.237641%	0.237641%
Authority's proportionate share of net pension liability/(asset)	$56,365,406	42,563,534	28,662,122	28,014,741
Authority's covered-employee payroll	$34,301,180	32,564,800	30,888,150	31,845,538
Authority's proportionate share of net pension liability/(asset) as a percentage of its covered-employee payroll	164.32%	130.70%	92.79%	87.97%
Plan fiduciary net position as a percentage of the total pension liability /(asset)	77.25%	81.08%	86.45%	86.36%
Combined plan				
Authority's proportion of net pension liability/(asset)	0.250604%	0.261431%	0.232485%	0.232485%
Authority's proportionate share of net pension liability/(asset)	($139,478)	(127,217)	(89,512)	(24,395)
Authority's covered-employee payroll	N/A (2)	N/A (2)	N/A (2)	N/A (2)
Authority's proportionate share of net pension liability/(asset) as a percentage of its covered-employee payroll	N/A (2)	N/A (2)	N/A (2)	N/A (2)
Plan fiduciary net position as a percentage of the total pension liability /(asset)	116.55%	116.90%	114.83%	N/A (3)

(1) - Information prior to 2013 is not available
(2) - Amount is not material and will not be presented
(3) - Information prior to 2014 is not available

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

	For the years ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Contractually required contribution	$4,522,225	4,116,142	3,907,776	3,706,578	4,139,920
Contributions in relation to the contractually required contribution	($4,522,225)	(4,116,142)	(3,907,776)	(3,706,578)	(4,139,920)
Contribution deficiency/(excess)	-	-	-	-	-
Authority's covered-employee payroll	$34,786,352	34,301,180	32,564,800	30,888,150	31,845,538
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) - Information prior to 2013 not available

Greater Dayton Regional Transit Authority

Schedules of Required Supplementary Information

Retiree Death Benefit Plan

SCHEDULE OF CHANGES IN THE AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIO

For the year ended December 31, 2017 (1)

		2017
Total OPEB liability		
Service cost - retirees	$	127,878
Service cost - active employees		441,163
Net interest income		6,991
Benefit payments		(82,000)
Net change in total OPEB liability	$	494,032
Total OPEB liability - beginning		975,069
Total OPEB liability - ending (a)	$	1,469,101
Plan fiduciary net position		
Employer contribution	$	56,621
Employer contribution receivable		569,041
Benefit payments		(82,000)
Net interest income		6,991
Net change in plan fiduciary net position	$	550,653
Plan fiduciary net position - beginning		918,448
Plan fiduciary net position - ending (b)	$	1,469,101
Authority's net OPEB liability ((a)-(b))	$	-
Plan fiduciary net position as a percentage of the total OPEB liability		100.00%

Note to schedule:

(1) - Information prior to 2017 is not available

Greater Dayton Regional Transit Authority

Schedules of Required Supplementary Information

Retiree Death Benefit Plan

SCHEDULE OF AUTHORITY CONTRIBUTIONS

For the year ended December 31, 2017

		2017
Actuarially determined contribution - retirees	$	127,878
Actuarially determined contribution - active employees		441,163
Total actuarially determined contribution at December 31, 2017		569,041
Authority contributions to be made during 2018		569,041
Contribution deficiency (excess)	$	-

Notes to schedule:

Actuarially determined contribution rates are calculated as of December 31, 2017.

Methods and assumptions used to determine contribution rates are as follows:

Investment rate of return

Retirees: 5.00%, based upon the Authority's historical average, net of OPEB plan investment expense, including inflation.

Active employees: 3.44%, based on Bond Buyer Municipal Bond 20-year General Obligation Index, net of OPEB plan investment expense, including inflation.

Mortality rates for both actuarial valuations are based upon industry life tables.

Retirement age

For active employees, a retirement age of 63 was used for employees younger than 63 years old. If an employee is older than 63, the assumption is made the employee will retire at the end of the current fiscal year.

SCHEDULE OF INVESTMENT RETURNS

For the year ended December 31, 2017

	2017
Annual money-weighted rate of return, net of investment expense	1.1%

Notes to schedule:

The trust had investment income of $10,160.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Greater Dayton Regional Transit Authority
Montgomery County

Schedule of Expenditures of Federal Awards
For the year ended December 31, 2017

Federal Grantor *Pass Through Grantor* Program/Cluster Title	**Federal CFDA Number**	**Grant Number**	**Expenditures**
U.S. Department of Transportation			
Direct			
Federal Transit Cluster			
Federal Transit Capital Investment Grants	20.500	OH-05-0106	$ 241,270
Federal Transit Formula Grants	20.507	OH-90-X681	512,220
	20.507	OH-90-X788	965,093
	20.507	OH-2016-012	193,571
	20.507	OH-2016-018	3,769,994
	20.507	OH-2017-008	7,147,465
	20.507	OH-2017-016	4,782,897
Total Federal Transit Formula Grants			17,371,240
State of Good Repair Grants Program	20.525	OH-54-0001	2,049,152
	20.525	OH-2016-012	1,172,149
	20.525	OH-2016-018	264,683
	20.525	OH-2017-008	10,604,926
Total State of Good Repair Grants			14,090,910
Bus and Bus Facilities Formula Program	20.526	OH-2016-018	1,419,166
	20.526	OH-34-0001	1,559,013
Total Bus and Bus Facilities Formula Program			2,978,179
Total Federal Transit Cluster			34,681,599
Transit Services Programs Cluster			
New Freedom Program	20.521	OH-57-X025	74,254
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OH-16-X022	9,023
	20.513	OH-2017-007	1,223,424
Total Enhanced Mobility of Seniors and Individuals with Disabilities			1,232,447
Total Transit Services Programs Cluster			1,306,701
Total U.S. Department of Transportation			35,988,300
Total Federal Awards Expenditures			$ 35,988,300

The accompanying notes are an integral part of this schedule

Greater Dayton Regional Transit Authority

Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2017

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Greater Dayton Regional Transit Authority (the Authority) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

(2) Summary of Significant Accounting Policies

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

(3) Matching Requirements

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

This page intentionally left blank.

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities and the aggregate remaining fund information of the Greater Dayton Regional Transit Authority, Montgomery County, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 14, 2018, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. We also noted the implementation of this GASB pronouncement resulted in the inclusion of a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for the Retiree Death Benefit Plan.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018

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

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

To the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Greater Dayton Regional Transit Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Greater Dayton Regional Transit Authority's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Greater Dayton Regional Transit Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2017.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.ohioauditor.gov

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

September 14, 2018

GREATER DAYTON REGIONAL TRANSIT AUTHORITY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Federal Transit Cluster Transit Services Programs Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 1,079,649 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

This page intentionally left blank.

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
OCTOBER 2, 2018

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