Deloitte & Touche

Miami Valley Regional Transit Authority

Financial Statements for the Years Ended December 31, 1999 and 1998 and Single Audit Report for the Year Ended December 31, 1999

Deloitte Touche Tohmatsu

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

TABLE OF CONTENTS

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

The Board of Trustees of
Miami Valley Regional Transit Authority

We have reviewed the independent auditor's report of the Miami Valley Regional Transit Authority, Montgomery County, prepared by Deloitte & Touche LLP, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

April 28, 2000

Deloitte & Touche

Deloitte & Touche LLP
1700 Courthouse Plaza Northeast
Dayton, Ohio 45402-1788

Telephone: (937) 223-8821
Facsimile: (937) 223-8583

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Miami Valley Regional Transit Authority and
Mr. Jim Petro, Auditor of State:

We have audited the accompanying balance sheets of Miami Valley Regional Transit Authority (the "Authority") as of December 31, 1999 and 1998, and the related statements of revenues and expenses, cash flows, and changes in equity for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Miami Valley Regional Transit Authority at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of management of the Authority. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2000 on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Deloitte & Touche LLP

April 3, 2000

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

ASSETS	1999	1998
CURRENT ASSETS:		
Cash and cash equivalents (Note C)	$ 6,372,145	$ 4,746,501
Marketable securities (Note C)		16,744,743
Board designated investments - capital acquisition (Note C)	13,855,426	5,202,461
Accounts receivable, less allowance for doubtful accounts of $91,498 - 1999 and $50,000 - 1998:		
Sales tax	8,692,660	8,016,708
Federal operating assistance	1,213,867	
State operating assistance	1,220,427	1,220,427
Interest	681,696	644,320
Other	2,982,471	1,176,208
Total accounts receivable	14,791,121	11,057,663
Materials and supplies	3,299,890	2,690,223
Prepaid expenses and deposits	239,140	119,863
Total current assets	38,557,722	40,561,454
BOARD DESIGNATED INVESTMENTS (Note C):		
Capital acquisitions	16,436,524	21,960,277
Self-insurance (Note H)	2,592,453	2,390,296
Working capital	8,792,970	8,276,874
Other	3,000,000	3,000,000
	30,821,947	35,627,447
PROPERTY AND EQUIPMENT (Note E):		
Revenue producing and service equipment	80,629,332	54,215,271
Land	4,562,819	4,562,819
Buildings and structures	60,136,051	47,397,227
Office furnishings, shop equipment and other	9,512,197	8,581,639
Operating rights	4,006,214	4,006,214
Job orders in process	9,632,228	33,480,739
	168,478,841	152,243,909
Less accumulated depreciation	57,651,958	56,542,644
Property and equipment, net	110,826,883	95,701,265
	$180,206,552	$171,890,166

See notes to financial statements.

LIABILITIES AND EQUITY	1999	1998
CURRENT LIABILITIES:		
Accounts payable (includes outstanding checks of $2,265,973 at December 31, 1998)	$ 3,980,733	$ 4,344,091
Accrued payroll and related benefits	5,709,372	5,361,744
Accrued self-insurance (Note H)	2,592,453	2,390,296
Unredeemed fares	459,003	402,787
Other accrued expenses	274,393	150,420
Current maturities of bonds and notes payable (Note F)	1,650,000	1,575,000
Total current liabilities	14,665,954	14,224,338
BONDS AND NOTES PAYABLE (Note F)	16,470,000	18,120,000
Total liabilities	31,135,954	32,344,338
EQUITY:		
Capital grants:		
Federal	81,282,019	71,369,657
State of Ohio	5,297,693	3,070,939
	86,579,712	74,440,596
Retained earnings	62,490,886	65,105,232
Total equity	149,070,598	139,545,828
	$180,206,552	$171,890,166

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING REVENUES:		
Passenger fares	$ 5,796,667	$ 5,822,493
Special transit fares and charter service:		
Board of Education (student transportation)	1,287,127	1,368,859
Charter service	118,797	120,089
Contract service	80,994	82,486
Total operating revenue	7,283,585	7,393,927
OPERATING EXPENSES:		
Labor	24,605,100	23,074,423
Fringe benefits	12,143,814	11,761,782
Contractual services	3,072,214	2,528,829
Materials and supplies	3,756,671	3,687,067
Utilities and propulsion power	1,263,482	1,069,858
Claims and insurance	777,457	768,382
Other	786,085	743,768
Total operating expenses excluding depreciation	46,404,823	43,634,109
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(39,121,238)	(36,240,182)
DEPRECIATION EXPENSE:		
Acquired with Authority funds	2,353,221	1,463,020
Acquired with capital grant funds	6,486,711	5,878,790
Total depreciation expense	8,839,932	7,341,810
OPERATING LOSS	(47,961,170)	(43,581,992)
NONOPERATING REVENUES (EXPENSES):		
Sales tax proceeds	32,070,015	29,930,723
Federal operating assistance	3,548,609	777,936
State operating assistance	2,440,854	2,286,122
State special fare assistance	243,225	241,032
Interest on investments	3,307,985	3,766,608
Interest expense	(1,008,948)	(1,075,713)
Net (decrease) increase in the fair value of investments	(2,163,367)	962,615
Other	421,740	607,539
Total nonoperating revenues, net	38,860,113	37,496,862
NET LOSS	$ (9,101,057)	$ (6,085,130)

See notes to financial statements.

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (47,961,170)	$ (43,581,992)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	8,839,932	7,341,810
Gain on disposal of property and equipment		(72,163)
Changes in assets and liabilities:		
Accounts receivable - other	(1,806,263)	443,062
Materials and supplies	(609,667)	240,338
Prepaid expenses and deposits	(119,277)	3,124
Accounts payable	(363,358)	2,306,368
Accrued expenses and unredeemed fares	729,974	29,109
Other	421,740	607,539
Net cash used in operating activities	(40,868,089)	(32,682,805)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales tax	31,394,063	29,693,432
Federal operating assistance grant	2,334,742	777,936
State operating and special fare assistance grants	2,684,079	2,302,249
Net cash provided by noncapital financing activities	36,412,884	32,773,617
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(37,516,089)	(57,593,759)
Proceeds from sale or maturity of investment securities	48,250,000	56,876,000
Interest received	3,270,609	3,965,835
Net cash provided by investing activities	14,004,520	3,248,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	18,625,827	19,178,741
Additions to property and equipment	(23,974,264)	(23,835,295)
Proceeds from sales of property and equipment	8,714	76,860
Interest paid on bonds and notes payable	(1,008,948)	(1,075,713)
Payments of bonds payable	(1,575,000)	(1,500,000)
Net cash used in capital and related financing activities	(7,923,671)	(7,155,407)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,625,644	(3,816,519)
CASH AND CASH EQUIVALENTS - Beginning of year	4,746,501	8,563,020
CASH AND CASH EQUIVALENTS - End of year	$ 6,372,145	$ 4,746,501

See notes to financial statements.

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 1999 AND 1998

	Capital Grants			
	Federal	State	Retained Earnings	Total Equity
BALANCE AT JANUARY 1, 1998	$ 58,194,028	$ 2,945,508	$ 65,311,572	$ 126,451,108
Net loss transferred to Authority equity			(6,085,130)	(6,085,130)
Grants received and earned for capital additions	18,816,629	363,221		19,179,850
Depreciation of assets acquired with capital grant funds (Note B)	(5,641,000)	(237,790)	5,878,790	
BALANCE AT DECEMBER 31, 1998	71,369,657	3,070,939	65,105,232	139,545,828
Net loss transferred to Authority equity			(9,101,057)	(9,101,057)
Grants received and earned for capital additions	16,113,513	2,512,314		18,625,827
Depreciation of assets acquired with capital grant funds (Note B)	(6,201,151)	(285,560)	6,486,711	
BALANCE AT DECEMBER 31, 1999	$ 81,282,019	$ 5,297,693	$ 62,490,886	$ 149,070,598

See notes to financial statements.

A. THE AUTHORITY AND REPORTING ENTITY

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

Reporting Entity – The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units nor is it considered a component unit of any other governmental authority.

These 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) has recently issued Statement of Governmental Accounting Standards (SGAS) No. 33, *Accounting and Reporting for Non-Exchange Transactions*, and No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The Authority has not elected early implementation of these statements in 1999. The Authority is required to implement SGAS No. 33 by 2001 and SGAS No. 34 by 2003.

Basis of Accounting – The accompanying financial statements were prepared in accordance with generally accepted accounting principles which requires the accrual basis of accounting. Under this basis of accounting, revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund. In accordance with Governmental Accounting Standards Board Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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

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

Federal and State Operating Assistance Funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected in income in the period to which they are applicable.

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 FTA or ODOT are recorded as capital grants receivable.

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

Investments are carried at fair value.

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

> *Capital acquisitions* – to provide local match funds for approved or projected Federal grants, projects not eligible for grant participation, or local match for transit related projects that would assist community development efforts.
>
> *Self insurance* – the value of the estimated potential claim liability
>
> *Working capital* – the value of an average two months of budgeted operating expenses
>
> *Other* – to provide flexibility in funding operations when an economic downturn affects major revenue sources or when a major, unforeseen crisis requires extraordinary expenditures.

Property and equipment is stated at historical cost and includes expenditures which substantially increase the useful lives of existing assets. Repair and maintenance costs are directly expensed as incurred. Public domain assets such as electrical overhead systems, shelters and operating rights are capitalized.

Depreciation is computed using the straight-line method based on the estimated useful lives of the respective assets as follows:

Description	**Estimated Useful Life**
Revenue producing and service equipment	3 to 18 years
Buildings and structures	6 to 45 years
Office furnishings, shop equipment and other	5 to 8 years
Operating rights	20 years

In accordance with the Audit Guide of the American Institute of Certified Public Accountants for Audits of State and Local Governmental Units, depreciation on assets acquired with federal and state contributions is reflected as a transfer to the related state and federal capital grant equity accounts.

Cash Equivalents – For purposes of the statements of cash flows, the Authority considers monies in the State Treasurer's Asset Reserve investment pool (STAR Ohio) to be cash equivalents.

Sales Tax – The Authority receives the proceeds of a one-half percent sales 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.

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

Compensated Absences – The Authority accrues vacation benefits as earned by its employees and the vested and nonvested portion of accumulated sick leave benefits payable upon retirement.

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.

C. CASH AND INVESTMENTS

The investment and deposit of Authority monies is 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, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

Deposits – At December 31, 1999, the carrying amount of the Authority's deposits was $184,743 as compared to bank balances of $834,714. The differences in the carrying amount and bank balances was caused by items in transit resulting from the use of a controlled disbursement account. The Authority transfers monies from its STAR Ohio account to cover cash needs for outstanding checks as needed. Of the bank balances, $171,104 was on deposit and covered by federal depository insurance and $663,610 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name.

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"). The Authority is also prohibited from investing in reverse repurchase agreements.

Investments – Statement No. 3 of the Government Accounting Standards Board (GASB 3) requires government entities to categorize investments to give an indication of the level of credit risk assumed by the entity at year end. These categories are as follows: Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which securities are held by the counterparty in the Authority's name or held by the counterparty's trust department or agent but not in the Authority's name. Deposits in pooled funds, such as STAR Ohio, are not required to be categorized under GASB 3. The $6,183,300 on deposit at STAR Ohio is valued at the pool's share price which is the price for which the investment could be sold on December 31, 1999. A summary of the carrying and fair value of investments held at December 31, 1999, and an indication of the related risk category is as follows:

Description	***Fair/ Carrying Value***	***Risk Category***
U.S. government and agencies securities	$44,677,373	1
Investment in State Treasurer's Asset Reserve investment pool (STAR Ohio)	6,183,300	
	$50,860,673	

Investments at December 31, 1999 and 1998, are included in the accompanying balance sheets under the following captions:

	1999	**1998**
Cash and cash equivalents	$ 6,183,300	$ 4,554,818
Marketable securities		16,744,743
Board Designated Investments	44,677,373	40,829,908
Total	$50,860,673	$62,129,469

D. PENSION PLAN

The following disclosures are made in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*:

All employees are required to be members of the Public Employees Retirement System (PERS), a cost-sharing multi-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Permission to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222- PERS (7377). The payroll for employees covered by PERS for the years ended December 31, 1999 and 1998 was $28,642,841 and $27,055,626, respectively. The Authority's total payroll for the years ended December 31, 1999 and 1998 was $28,642,841 and $27,860,014, respectively.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for Authority employees for 1999, 1998 and 1997. The Authority is required by the same statute to contribute 13.55% of the covered employees' gross wages, of which 9.35% (1999 and 1998) and 8.44% (1997) was used to fund the pension obligations. The difference between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care program for retirants (see Note I). The contribution requirements for the years ended December 31, 1999, 1998 and 1997 were $6,315,542, $5,965,115 and $5,681,284, which consisted of $3,880,899, $3,665,387 and $3,491,139 from the Authority and $2,434,643, $2,299,728 and $2,190,145 from employees, respectively.

E. 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 provided by grants and Authority equity, which includes participation by the Federal Transit Administration (FTA) (approximately 80%), the Authority's funds (between 10% and 20% depending upon Ohio Department of Transportation (ODOT) participation) and to a lesser extent ODOT.

In 1998, the Authority entered into contracts with the Ohio Department of Transportation for two downtown Dayton projects, which will include Federal Highway Administration funds. The process for receiving these Federal funds requires the Authority to enter into a contract with the Ohio Department of Transportation for each project in the amount of $3.313 million for the Baseball Stadium project and $3.675 million for the RiverScape project.

The Authority also entered into agreements with the City of Dayton, which will be responsible for all contracts associated with the transit-related portions of the Baseball Stadium project and Montgomery County, which will be responsible for all contracts associated with the transit-related portions of the RiverScape project.

In 1999, the funds received for baseball transit enhancements were approximately $1 million and have been initially capitalized in job orders in process and will be transferred to operating rights when the project is completed.

F. BONDS AND NOTES PAYABLE

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

		December 31,	
	Interest Rates	**1999**	**1998**
General obligation capital facilities bonds and notes:			
Series 1992	4.00% to 5.50%	$ 1,740,000	$ 2,265,000
Series 1993	3.10% to 5.10%	3,635,000	3,910,000
Series 1994	3.50% to 6.00%	3,720,000	4,000,000
Series 1997	4.15% to 5.55%	9,025,000	9,520,000
Total payable		18,120,000	19,695,000
Less current portion		1,650,000	1,575,000
Total bonds and notes payable		$16,470,000	$18,120,000

The annual requirements to pay principal and interest on the bonds and notes outstanding at December 31, 1999 are as follows:

	Principal	**Interest**	**Total**
2000	$ 1,650,000	$ 939,400	$ 2,589,400
2001	1,745,000	860,295	2,605,295
2002	1,845,000	774,350	2,619,350
2003	1,300,000	681,208	1,981,208
2004	1,370,000	617,518	1,987,518
Thereafter	10,210,000	2,145,438	12,355,438
	$18,120,000	$6,018,209	$24,138,209

G. DEFERRED COMPENSATION

Authority employees participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary, payroll deduction basis. The plan permits deferral of compensation until future years. Under terms of the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The deferred wages and any earned income are not subject to taxes until actually received by the employee.

Federal legislation required that existing IRC Section 457 deferred compensation plans place all assets in a trust for the exclusive benefit of plan participants and beneficiaries by January 1, 1998. The state plan obtained proper state legal authorization to act as trustee, and implemented this trust on September 1, 1998. As a result, effective in 1998, plan assets or liabilities related to Authority participants are not recorded in these financial statements.

H. SELF-INSURANCE

The following disclosures are made in accordance with GASB Statement No. 10, "Accounting for Risk Financing and Related Insurance Issues":

Effective December 31, 1994, the Authority commenced participation in the Ohio Transit Insurance Pool, Inc. (OTIP) related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for premiums paid. OTIP self-insures the first $100,000 of any qualified property loss and the first $250,000 of any qualified casualty loss subject to a $1,000 per loss deductible ($25,000 for revenue vehicles). Per occurrence, excess insurance coverage is maintained by OTIP equal to $269,559,059 for qualified property losses and $25,000,000 for qualified casualty losses. The annual aggregate stop-loss limit for casualty is $1,600,000 and for property is $300,000. Any underfunding of the plans liabilities is shared by the members on a pro-rata basis based on pool contribution factors comprised of: population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

Prior to December 31, 1994, the Authority was self-insured for injury and damage claims up to a limit of $2,000,000 per claim at which point stop loss insurance became effective. As of December 31, 1998, all claims filed prior to December 31, 1994 have been closed.

The Authority is also self-insured for worker's compensation claims up to a limit of $300,000 per claim at which point stop-loss insurance becomes effective. A reserve has been provided at December 31, 1999 and 1998 for the estimated potential claim liability based upon an actuary's estimate. This liability is classified as current although some portion may not be paid within one year. Management believes, based on prior experience, that the estimated reserve for claims is adequate to satisfy all claims filed or to be filed for incidents which occurred through December 31, 1999.

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

	1999	1998
Accrued self-insurance - beginning of year	$2,390,296	$2,260,920
Claims and other expense	671,493	769,181
Claims paid	(469,336)	(639,805)
Accrued self-insurance - end of year	$2,592,453	$2,390,296

I. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Life Insurance – In addition to pension benefits, the Authority provides life insurance benefits to retired employees. Currently, 219 retirees meet the eligibility requirements of this plan. The Authority has advance-funded the benefits available to retirees under this plan on an actuarially determined basis at a 5% discount rate. The present value of the benefits for retired employees was approximately $490,000 and $450,000 at December 31, 1999 and 1998, respectively. Funding of this plan will be $59,293 in 2000 for 1999 and was $80,274 in 1999 for 1998.

Health Care – PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS (4.2% of the total 13.55% contribution effective January 1, 1998 – see Note D) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post-retirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were $523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

J. CONTINGENCIES AND COMMITMENTS

Contingencies – Federally assisted capital grant programs are subject to audit by the granting agency. Management believes that no liability will arise, as a result of audits previously performed or to be performed, which might adversely affect the financial position of the Authority.

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

Commitments – At December 31, 1998, the Authority had outstanding purchase commitments for contracts of approximately $38.2 million, of which approximately $11.2 million is for new hubs and $9.1 million for new buses.

Litigation – The Authority is involved in a dispute with a tenant operating a daycare facility in the building that houses the Authority's Northwest hub operation. The plaintiff filed suit against the Authority claiming breach of provisions in the lease contract and delay of occupancy, and the Authority has filed a counterclaim against the plaintiff, also claiming breach of contract. The Authority has chosen to vigorously contest this matter based on its strong belief that it abided by the letter and spirit of the lease agreement. In the opinion of the Authority's management, the Authority has adequate legal defense for this action and does not believe that this action will materially affect the Authority's operations or financial position.

* * * * * *

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 1999

Federal Grantor/Program Title	Federal CFDA Number	Project Number	Federal Expenditures
U.S. Department of Transportation - Federal Transit Cluster			
Federal Transit Administration - Section 5309 - Capital Improvement Grants	20.500	OH-03-0124	$ 5,244,220
	20.500	OH-03-0126	136,539
	20.500	OH-03-0138	161,631
	20.500	OH-03-0145	294,602
	20.500	OH-03-0153	136,538
	20.500	OH-03-0165	1,193,436
	20.500	OH-03-0169	376,770
	20.500	OH-03-0172	603,996
	20.500	OH-03-0182	1,200,000
Total Section 5309 - Capital Improvement Grants			9,347,732
Federal Transit Administration - Section 5307 - Capital and Operating Assistance Formula Grants	20.507	OH-90-0094	500,103
	20.507	OH-90-0207	1,301,194
	20.507	OH-90-0267	892,037
	20.507	OH-90-0295	737,681
	20.507	OH-90-0295CM	900,000
	20.507	OH-90-0316	3,819,920
	20.507	OH-90-0316CM	1,156,913
	20.507	OH-90-0341	592,071
	20.507	OH-90-9240	136,642
	20.507	OH-90-9316	131,101
	20.507	OH-90-9341	118,496
Total Section 5307 - Capital and Operating Assistance Formula Grants			10,286,158
Federal Highway Administration - Baseball Stadium project	20.XXX	9190	1,062,499
Total Expenditures of Federal Awards			$ 20,696,389

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Miami Valley Regional Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

SCHEDULE OF RESPONSIBLE OFFICIALS
YEAR ENDED DECEMBER 31, 1999

Board Members

Appt.	Member	Occupation	Current Term Expires
1/4/94	George H. Bayless President	Retired - National City Bank	12/31/99
1/10/95	Marlyn D. Flee Vice-President	Township Administrator Harrison Township	12/31/00
1/5/98	Anthony Capizzi	Attorney at Law Harker, Capizzi & Hall	12/31/00
3/4/97	Sara A. Combs	Mayor, City of Trotwood	12/31/00
2/4/97	James L. Francis	Retired Executive Assistant to the Commission, Office of the City Commission, Dayton	12/31/99
2/4/97	Charles Giles	Director of Business Services, Sinclair Community College	12/31/01
2/2/99	Jeffrey T. Siler	Executive Vice-President, National City Bank	12/31/02
2/3/98	D. Jeffrey Ireland	Attorney at Law Faruki, Gilliam & Ireland	12/31/00
1/9/96	Richard Wright	Retired – General Motors	12/31/01

Financial Management

Minnie Fells Johnson, Ph.D.	Executive Director
Richard M. DeLon	Chief Financial Officer
William C. Kane	Controller
Robert Ruzinksy	Capital Controller

Deloitte & Touche LLP
1700 Courthouse Plaza Northeast
Dayton, Ohio 45402-1788
Telephone: (937) 223-8821
Facsimile: (937) 223-8583

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees of
Miami Valley Regional Transit Authority and
Mr. Jim Petro, Auditor of State:

We have audited the financial statements of Miami Valley Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 1999, and have issued our report thereon dated April 3, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

******

This report is intended solely for the information and use of the Board of Trustees, the Board's Finance/Personnel committee and management of the Authority, the Federal Transit Administration, other applicable U.S. Government Agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 3, 2000

Deloitte & Touche

Deloitte & Touche LLP
1700 Courthouse Plaza Northeast
Dayton, Ohio 45402-1788

Telephone: (937) 223-8821
Facsimile: (937) 223-8583

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

The Board of Trustees of
Miami Valley Regional Transit Authority and
Mr. Jim Petro, Auditor of State:

Compliance

We have audited the compliance of Miami Valley Regional Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Authority's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

* * * * * *

This report is intended solely for the information and use of the Board of Trustees, the Board's Finance/Personnel committee and management of the Authority, the Federal Transit Administration, other applicable U.S. Government Agencies, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 3, 2000

MIAMI VALLEY REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 1999

Financial Statements

Type of auditors' report issued	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	_X_ No
Reportable condition(s) identified not considered to be material weaknesses?	____ Yes	_X_ N/A
Noncompliance material to financial statements noted?	____ Yes	_X_ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	_X_ No
Reportable condition(s) identified not considered to be material weaknesses?	____ Yes	_X_ N/A
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))?	____ Yes	_X_ No

Identification of major programs: (23(23)):

CFDA Number	**Name of Federal Program or Cluster Number**
20.500 and 20.507	Transit Capital Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$620,892	
Auditee qualified as low-risk auditee?	_X_ Yes	____ No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards – No matters are reportable.

Findings and Questioned Costs for Federal Awards – No matters are reportable.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MIAMI VALLEY 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.

By: Susan Babbitt

Date: MAY 9, 2000