MID-OHIO TRANSIT AUTHORITY FINANCIAL CONDITION

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

FISCAL YEAR AUDITED UNDER GAGAS: 2006

Mary Taylor, CPA
Auditor of State

Board of Directors
Mid-Ohio Transit Authority
25 Columbus Road
Mount Vernon, Ohio 43050

We have reviewed the *Independent Auditors'' Report* of the Mid-Ohio Transit Authority, Knox County, prepared by Haran, Watson & Company, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 Mid-Ohio Transit Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 27, 2007

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MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mid-Ohio Transit Authority
Mt. Vernon, Ohio

We have audited the accompanying financial statements of the Mid-Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio, as of and for the year ended December 31, 2006 as listed in the table of contents. These financial statements are the responsibility of MOTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOTA as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards,* we have also issued our report dated July 30, 2007 on our consideration of MOTA'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5, is not a required part of the basic financial statements, but is supplementary information required by accounting principles general accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Haran Watson & Co

Haran, Watson & Company, Inc.
Columbus, Ohio
July 30, 2007

Management's Discussion and Analysis
For the Year Ended December 31, 2006

As management of the Mid-Ohio Transit Authority, ("MOTA"), we offer readers of MOTA's basic financial statements this narrative overview and analysis of the financial activities of MOTA for the year ended December 31, 2006. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Overview of Financial Highlights

- MOTA has net assets of $500,304. These net assets result from the difference between total assets of $683,444 and total liabilities of $183,140.
- Current assets of $416,840 primarily consist of non-restricted Cash and Cash Equivalents of $264,009, Prepaid Expenses of $9,854 and Accounts Receivable of $142,977.
- Current Liabilities of $183,140 primarily consist of Accrued Payroll, Benefits and Withheld Payroll Taxes of $170,687 and Accounts Payable of $12,453.

Basic Financial Statements and Presentation

MOTA complies with the provisions of Governmental Accounting Standards Board ("GASB) Statement No. 32, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Disclosures".

The financial statements presented by MOTA are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. MOTA is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated over their estimated useful lives.

The *Balance Sheet* presents information on all of MOTA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of MOTA is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial position.

The *Statement of Revenues, Expenses and Changes in Net Assets* present information showing how MOTA's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The *Statement of Cash Flows* allows financial statement users to assess MOTA's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1)Cash flows from operating activities, 2)Cash flows from non-capital financing activities, 3)Cash flows from capital and related financing activities, and 4)Cash flows from investing activities.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of MOTA

Table 1 provides a summary of MOTA's net assets for 2006 and 2005:

Table 1

Condensed Summary of Net Assets

	2006	2005
Assets:		
Current Assets	$416,840	$339,601
Capital Assets (net of accumulated depreciation)	266,604	409,401
Total Assets	683,444	749,002
Liabilities:		
Current Liabilities	$183,140	$172,095
Net Assets:		
Invested in capital assets, net of related debt	266,604	409,401
Unrestricted net assets	233,700	167,506
Total Net Assets	$500,304	$576,907

The largest portion of MOTA's net assets reflect investment in capital assets consisting of vehicles, office equipment, shop equipment, computer hardware/software and leasehold improvements less any related debt used to acquire those assets still outstanding. MOTA uses these capital assets to provide public transportation services for Knox County; consequently, these assets are not available to liquidate liabilities or to cover other spending.

Table 2
Condensed Summary of Revenues, Expenses and Changes in Net Assets

Operating Revenues (Expenses):		
Operating Revenues	$389,140	$332,473
Operating Expenses (excluding depreciation)	(1,283,025)	(1,181,124)
Depreciation Expenses	(140,121)	(188,675)
Operating Loss	(1,034,006)	(1,037,326)
Non-Operating Revenues:		
Federal Grants	$580,765	$502,422
State Grants	145,341	236,809
State Elderly and Disabled Fare Assistance	170,023	165,705
Local Grants	50,000	55,000
Investment Income	6,597	2,165
Other Revenues	4,677	5,953
Total Non-Operating Revenues	957,403	968,054
Decrease in Net Assets During Year	(76,603)	(69,272)
Net Assets, Beginning of Year	576,907	646,179
Net Assets, End of Year	$500,304	$576,907

Financial Operating Activities

The most significant operating expenses for MOTA are Salary and Wages, Employee Benefits, Depreciation expense, Vehicle Expense and Other Materials and Supplies. These expenses account for 92.3% of the total operating expenses. Salary and Wages, which accounts for 50.8% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 19.8% of the total, represents costs associated with the health insurance premiums and workers compensation premiums paid by MOTA covering its employees. Depreciation expense, which accounts for 9.8% of the total, represents current year depreciation less any disposals. Vehicle Expense, which accounts for 9.2% of the total, represents costs associated with materials and supplies used for vehicle operations consisting of diesel fuel, motor oils and tires for vehicles. Other Materials and Supplies, which accounts for 2.7% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies.

Funding for the most significant operating expenses indicated above is from Passenger fares including Special Transit Fees and Farebox revenue, as well as from Non-Operating Revenues in the form of Federal Grants, State Grants, State Elderly and Disabled Fare Assistance and Local Grants. These revenues account for 99.2% of the total combined revenues of $1,346,543. Farebox revenue for 2006 was $144,918, and accounts for 10.8% of the total revenues. Special Transit fees revenue for 2006 was $244,222, and accounts for 18.1% of the total revenue. Federal Grants revenue for 2006 was $580,765, and accounts for 43.1% of the total revenue. State Grants revenue for 2006 was $145,341, and accounts for 10.8% of the total revenue. State Elderly and Disabled Fare Assistance revenue for 2006 was $170,023, and accounts for 12.6% of the total revenue. Local Grants revenue for 2006 was $50,000, and accounts for 3.7% of the total revenue. Investment Income and Other Revenues make up the remaining 0.8% of total revenue.

MOTA monitors its sources of revenues closely for fluctuations.

Capital Assets and Debt Administration

MOTA's investment in capital assets as of December 31, 2006, amounts to $266,604 (net of accumulated depreciation and related debt). This investment in capital assets includes Vehicles, Office Equipment, Shop Equipment, Computer Hardware/Software and Leasehold Improvements.

Additional information concerning MOTA's capital assets can be found in Note 2 of the Notes to the Basic Financial Statements.

As of December 31, 2006, MOTA had no debt obligations.

Current Known Facts and Conditions

In the year 2006, MOTA transported a total of 131,850 passengers in Knox County. This total represents General Service transports of 88,633(Elderly & Disabled of 50,180 and all other trips of 38,453) and Contract Service Trips of 43,217(Elderly & Disabled of 21,086 and all other trips of 22,131).

Contacting MOTA's Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of MOTA's finances and to show MOTA's accountability for the money it receives. Questions concerning any of the information in this report or to request for additional information should be addressed to: Pam Hinkens, Administrator, Mid Ohio Transit Authority, 25 Columbus Road, Mount Vernon, Ohio 43050.

MID-OHIO TRANSIT AUTHORITY
BALANCE SHEET
DECEMBER 31, 2006

ASSETS

Current Assets:		
Cash & Cash Equivalent	$	264,009
Accounts Receivable - Net		142,977
Prepaid Expenses		9,854
Total Current Assets		416,840
Property, Plant & Equipment		
Vehicles		930,555
Office Equipment		27,554
Shop Equipment		235,053
Computer Hardware/Software		162,301
Leasehold Improvements		463,267
		1,818,730
Less: Accumulated Depreciation		(1,552,126)
Total Property, Plant & Equipment		266,604
Total Assets	$	683,444

LIABILITIES AND FUND EQUITY

Current Liabilities		
Accounts Payable		12,453
Accrued Expenses		170,687
Total Current Liabilities		183,140
Net Assets		
Invested in capital assets, net of related debt		266,604
Unrestricted net assets		233,700
Total Net Assets		500,304
Total Liabilities and Net Assets	$	683,444

The accompanying notes are an integral part of these financial statements.

MID-OHIO TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

Operating Revenues		
Farebox Revenue	$	144,918
Special Transit Fees		244,222
Total Operating Revenues		389,140
Operating Expenses		
Salaries & Wages		722,310
Employee Benefits		281,357
Professional Services		32,601
Contract Maintenance		9,126
Vehicle Expense		130,745
Other Material and Supplies		37,810
Utilities		23,955
Insurance		14,970
Bad Debt Expense		14,664
Other Expense		15,487
Interest Expense		-
Depreciation		140,121
Total Operating Expenses		1,423,146
Operating Loss		(1,034,006)
Nonoperating Revenues		
Federal Grants		580,765
State Grants		145,341
State Elderly and Disabled Fare Assistance		170,023
Local Grants		50,000
Investment Income		6,597
Other Revenues		4,677
Total Nonoperating Expenses		957,403
Net Income(loss)		(76,603)
Beginning Net Assets		576,907
Ending Net Assets	$	500,304

The accompanying notes are an integral part of these financial statements.

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flow from Operating Activities		
Operating Loss		$ (1,034,006)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activites:		
Depreciation		136,018
Effect of Changes in Assets and Liabilities		
Accounts Receivable	(19,597)	
Prepaid Expenses	(9,854)	
Accounts Payable	(30,885)	
Accrued Expenses	41,932	
Total Adjustments		(18,404)
Net Cash Used in Operating Activities		(916,392)
Cash Flow from Noncapital Financing Activities		
Operating Grants	924,068	
Other	4,677	
Net Cash Provided by Noncapital Financing Activities		928,745
Cash Flow from Capital and Related Financing Activities		
Capital Grants	22,061	
Purchase of Fixed Assets		
Vehicles	(23,988)	
Vehicles - Disposal	30,765	
computer	-	
Office Equipment	-	
Net Cash Provided by Financing Activities		28,838
Cash Flow from Investing Activities		
Investment Income	6,597	
Net Cash Provided by Investing Activities		6,597
Net Increase in Cash		47,788
Cash, Beginning of Year		216,221
Cash, End of Year		$ 264,009

The accompanying notes are an integral part of these financial statements

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

Description of the Reporting Entity

The Mid-Ohio Transit Authority, ("MOTA") is a body politic and corporate of the State of Ohio, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. MOTA operates under a Board of Commissioners with an appointed secretary-treasurer handling the daily operations. MOTA provided transportation services to the residents of Knox County, to include but not limited to, elderly and handicapped riders.

Management believes the Financial Statements included in this report represent all of the funds of MOTA over which they have the ability to exercise direct operating control. Based on the criteria established by GASB Statement No. 14, there are no component units to be included with the reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

MOTA's policy is to maintain its accounting records on the accrual basis of accounting, whereby revenues and expenditures are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are reported in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, MOTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. MOTA also has the option of following subsequent private-sector guidance, subject to this same limitation. MOTA has elected not to follow subsequent private-sector guidance as it relates to its operations.

MOTA complies with the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

MOTA will continue applying all applicable pronouncements issued by the GASB.

New Accounting Pronouncements

The GASB has issued Statement No., 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", establishes uniform financial reporting standards for other post-employment benefit plans. GASB Statement No., 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", establishes standards for disclosure of information on post-employment benefits other than pension benefits, by all state and local government employers. Statements No. 43 and 45 are effective for the years ending December 31, 2007 and December 31, 2008 respectively. MOTA has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

Budgetary Accounting and Control

MOTA's annual budget is prepared on the accrual basis of accounting as permitted by law. MOTA maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Directors.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for general operations. For purposes of the statement of cash flows, MOTA considers all highly liquid instruments with maturity of three months or less at the time they are purchased to be cash and cash equivalents.

Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box. Grants and assistance revenues are received from reimbursable, nonreimbursable, and entitlement type grant programs. These grant programs involve transactions that are categorized as either government-mandated or voluntary nonexchange transactions. Grants and assistance revenues from government-mandated and voluntary nonexchange transactions are recorded as a receivable and nonoperating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

Property and Equipment

Property and Equipment are recorded at cost. Current year depreciation expense is $140,121 and recorded using the straight-line method over the estimated useful lives of the assets as follows:

Improvements	15 years
Equipment and Vehicles	5 – 7 years
Computers/Software	5 years

When assets acquired with capital grants are disposed of, MOTA is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency. In March 2006, one of MOTA's vehicles valued at $26,663(Cost of $30,765 less accumulated depreciation of $4,102) was totaled in a vehicle accident and is considered fully disposed. During the second quarter of 2006, MOTA received settlement from CORSA ("County Risk Sharing Authority". CORSA is a liability and property insurance pool between Ohio Counties) in the amount of $25,188. As of the report date, MOTA has ordered a like-kind replacement vehicle with ODOT approval.

Fund Accounting

MOTA maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. Funds included in this report are enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Compensated Absences

MOTA accrues vacation benefits as earned by its employees. Unused vacation benefits are paid to the employee upon separation from MOTA. Employees with 10 or more years with MOTA will be paid .25 of the value of the unused sick leave credit, not to exceed 30 days.

Use of Estimates

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

NOTE 3 – CASH AND INVESTMENTS

The provisions of the Ohio Revised Code govern the investments and deposits of MOTA. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit MOTA to invest in monies in certificates of deposits, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. MOTA may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

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 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. State law does not require that security be maintained for public deposits and investments be held in MOTA's name.

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

Deposits

At December 31, 2006, the carrying amount of MOTA's deposits was $264,009 at December 31, 2006. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2006, $176,976 of MOTA's bank balance of $276,976 was exposed to custodial risk as discussed below, while $100,000 was covered by Federal Deposit Insurance Corporation.

Custodial risk is the risk that, in the event of bank failure, MOTA's deposits may not be returned. All deposits are collaterized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of MOTA.

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 with a market value equal to 105% of public monies on deposit at the institution.All deposits are collaterized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

NOTE 4 – DEBT OBLIGATION

MOTA has available a line-of-credit with a local bank to be used when subsidy payments are not received timely. There was no balance outstanding at December 31, 2006.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 is as follows.

		Fixed Assets		
Description	Balance @ 1/01/06	Additions	Disposals	Balance @ 12/31/06
Vehicles	$ 937,332	$ 23,988	($30,765)	$930,555
Office Equipment	27,554			27,554
Shop Equipment	235,053			235,053
Computer Hardware/Software	162,301			162,301
Leasehold Improvements	463,267			463,267
Total Capital Assets	1,825,507	23,988	(30,765)	1,818,730
Less Accumulated Depreciation				
Vehicles	(776,079)	(80,312)	4,102	(852,290)
Office Equipment	(19,066)	(2,972)		(22,038)
Shop Equipment	(198,166)	(17,314)		(215,480)
Computer Hardware/Software	(146,283)	(8,639)		(154,922)
Leasehold Improvements	(276,512)	(30,884)		(307,396)
Total Accumulated Depreciation	(1,416,106)	(140,121)	4,102	(1,552,126)
Total Capital Assets, Net	$409,401	($116,133)	($26,663)	$266,604

NOTE 6 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYEMENT BENEFITS:

Defined Benefit Pension Plan

The Ohio Public Employees Retirement System (OPERS) has provided the following information to MOTA in order to assist them in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* (Statement No. 27). OPERS administers three separate pension plans as described below:

1) The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan.

2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year).

   Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3) The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code(ORC).

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

The ORC provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2006 member contribution rates were 9.0% for members in state, local, and public safety classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2006 employer contribution rate for state employers was 13.54% of covered payroll. For local government employer units, the rate was 13.70% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2006 was 16.93%

MOTA's contributions, representing 100% of employer' contributions for the years ended December 31, 2006, 2005, 2004, 2003, 2002, and 2001 were $94,689, $91,592, $95,788, $93,646, $94,671, and $98,856, respectively.

All required contributions were made prior to each of those fiscal year ends except for 2006 for which $27,789 was unpaid as of December 31, 2006 and is recorded as a liability.

Postemployment Benefits

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 provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability 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 No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, state employers contributed at a rate of 13.54% of covered payroll, local government employer units, contributed at 13.70% of covered payroll and public safety and law enforcement employer units contributed at 16.93%. The portion of employer contributions, for all employers, allocated to healthcare was 4.50%.

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

Actuarial Review: The assumptions and calculations below were based on OPERS' latest Actuarial Review performed as of December 31, 2005.

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

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

Investment Return: The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll: An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to rage from 0.50% to 6.30%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB is advance-funded on an actually determined basis. The following disclosures are required:

1)The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804.
2)The portion of MOTA's contributions that were used to fund post-employment benefits was $31,105.
3)The amount of $11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005.
4)Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at $31.3 billion and $20.2 billion, respectively.

There are no post-employment benefits provided by MOTA other than those provided through OPERS.

NOTE 7 – RISK MANAGEMENT

MOTA is exposed to various risks of loss related to torts: theft of, damaged to, and destruction of assets flood and earthquake; errors and omission; employment related matters; inquires to employees; and employee theft and fraud. MOTA maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. MOTA continues to carry commercial insurance for all other risks of loss, including workers' compensation. There was no significant reduction in insurance coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 8 – CONTIGENCIES

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2006 MOTA was involved in no such matters. MOTA receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on MOTA's programs and activities.

NOTE 9 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2006 consisted of accounts (billings) and intergovernmental grants. An allowance for bad debts of $14,664 was established in 2006 for an Other Receivable from the State of Ohio. All other receivables are considered collectible in full.

MID-OHIO TRANSIT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/Pass through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
U.S. Department of Transportation			
Passed-through the Ohio Department of Transportation			
Formula Grants For Other Than Urbanized Areas - Operating	RPT-4042-022-031	20.509	$ 561,156
Formula Grants For Other Than Urbanized Areas - Capital	RPT-0042-022-032	20.509	19,609
Total Federal Awards Expenditures			$ 580,765

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

MOTA prepares its Schedule of Federal Awards Expenditures on the accrual basis of accounting.

NOTE 2 – MATCHING REQUIREMENTS

MOTA is required to contribute non-federal funds (matching funds) to support federally funded programs. MOTA has complied with the matching requirements. The expenditure of non-federal matching funds is not included in this schedule.

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HARAN, WATSON & COMPANY
Certified Public Accountants and Business Consultants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Mid-Ohio Transit Authority
Mt. Vernon, Ohio

We have audited the financial statements of Mid-Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio, as of and for the year ended December 31, 2006, and have issued our report thereon dated July 30, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings.

A material weakness is a reportable 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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable condition noted above to be a material weakness. In a separate letter to the Government's management dated July 30, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

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

We noted certain matters that we reported to management of MOTA in a separate letter dated July 30, 2007.

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

Haran Watson + Co

Haran, Watson & Company, Inc.
Columbus, Ohio
July 30, 2007

HW&Co

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Certified Public Accountants and Business Consultants

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

Board of Directors
Mid-Ohio Transit Authority
Mt. Vernon, Ohio

Compliance

We have audited the compliance of Mid-Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio 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, 2006. MOTA'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 MOTA's management. Our responsibility is to express an opinion on MOTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States: and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOTA'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 MOTA's compliance with those requirements.

In our opinion, MOTA 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, 2006.

Internal Control Over Compliance

The management of MOTA 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 MOTA'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 internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. However, we noted a matter that is opportunity for strengthening operations that we have reported to the Board of Directors in a separate letter dated July 30, 2007.

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

Haran Watson + Co

Haran, Watson & Company, Inc.
Columbus, Ohio
July 30, 2007

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

SCHEDULE OF FINDINGS

December 31, 2006

PART I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	yes
Reportable condition(s) identified not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	no
Reportable condition(s) identified not considered to be material weaknesses?	no
Type of auditor's 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)	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.509	Federal Formula Grants for Other than Urbanized Areas

Dollar threshold used to distinguish Between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	yes

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number **2006-001**

During our audit we determined that there were errors made in the performance of recording accounting entries during the course of the year that went undetected by MOTA. The errors relate primarily to not applying GAAP on a consistent basis.

1) Amounts that required manual entries to the general ledger that were posted to the wrong account and period.
2) Amounts not properly accrued at year end.
3) An amount that was not properly adjusted to prepaid expense at year end.
4) An amount that was charged to the wrong expense account.
5) Revenue that was earned in 2007 but posted in 2006.

The entries were DETECTED WITH AUDIT PROCEDURES AND APPROPRIATE ADJUSTMENTS WERE MADE TO THE FINANCIAL STATEMENTS where needed.

OFFICIALS RESPONSE AND CORRECTIVE ACTION PLAN

The Board has decided to engage a local CPA firm as our corrective action measures. They will review the trial balance and be responsible to focus on the GL entries (particularly the manual entries). The review will be done on a bi-annual basis, or if we feel needed, they will do the review on a quarterly basis. They will also prepare year end information.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable

Mary Taylor, CPA
Auditor of State

MID-OHIO TRANSIT AUTHORITY

KNOX 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 9, 2007

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