Mid-Ohio Transit Authority

Knox County

Single Audit

January 1, 2008 Through December 31, 2008

Fiscal Year Audited Under GAGAS: 2008

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

528 South West Street, P.O. Box 687

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Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mid-Ohio Transit Authority, Knox County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2008. 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

August 21, 2009

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MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY

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

Independent Auditor's Report

We have audited the accompanying financial statements of the business type activities of the Mid-Ohio Transit Authority (the Authority), Knox County, as of and for the year ended December 31, 2008 which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 the 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 respective financial position of the business-type activities of the Authority, as of December 31, 2008, and the respective changes in financial position and cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the 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. 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.

As described in Note 9 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 5, 2009

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2008

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, 2008. 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 $474,668. These net assets result from the difference between total assets of $688,031 and total liabilities of $213,363.
- Current assets of $310,792 consist of non-restricted Cash and Cash Equivalents of $160,585 and Accounts Receivable of $150,207.
- Current Liabilities of $213,361 primarily consist of Accrued Payroll, Benefits, and Withheld Payroll Taxes of $200,917 and Accounts Payable of $12,446.

Basic Financial Statements and Presentation

MOTA complies with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 34, "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 Statement of Net Assets, 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 *Statement of Net Assets* 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 2008 and 2007:

Table1

Condensed Summary of Net Assets

	2008	2007
Assets:		
Current Assets	$ 310,792	$ 432,769
Capital Assets (net of accumulated depreciation)	377,239	342,016
Total Assets	688,031	774,785
Liabilities:		
Current Liabilities	$ 213,361	$ 205,400
Net Assets:		
Invested in capital assets	377,239	342,016
Unrestricted net assets	97,429	227,369
Total net Assets	$ 474,668	$ 569,385

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. 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

	2008	2007
Operating Revenues (Expenses):		
Operating Revenues	$ 311,224	$ 370,650
Operating Expenses (excluding depreciation)	(1,446,254)	(1,338,303)
Depreciation Expense	(131,269)	(122,258)
Operating Loss	(1,266,299)	(1,089,911)
Non-Operating Revenues:		
Federal Grants	$ 763,664	$ 754,073
State Grants	229,467	224,467
State Elderly and Disabled Fare Assistance	106,040	112,905
Local Grants	55,000	55,000
Investment Income	10,135	8,733
Other Revenues	7,276	3,814
Total Non-Operating Revenues	1,171,582	1,158,992
Decrease / Increase in Net Assets During Year	(94,717)	69,081
Net Assets, Beginning of Year	569,385	500,304
Net Assets, End of Year	$ 474,668	$ 569,385

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 94.0% of the total operating expenses. Salary and Wages, which accounts for 49.6% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 20.8% 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 8.3% of the total, represents current year depreciation less any disposals. Vehicle Expense, which accounts for 13.2% 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 2.1% 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 Non-Operating Revenues in the form of Federal Grants, State Grants, State Elderly and Disabled Fare Assistance and Local Grants. These revenues account for 98.8% of the total combined revenues of $1,482,806. Farebox revenue for 2008 was $135,724, and accounts for 9.1% of the total revenues. Special Transit fees revenue for 2008 was $175,500, and accounts for 11.8% of the total revenue. Federal Grants revenue for 2008 was $763,664, and accounts for 51.5% of the total revenue. State Grants revenue for 2008 was $229,467, and accounts for 15.5% of the total revenue. State Elderly and Disabled Fare Assistance revenue for 2008 was $106,040, and accounts for 7.2% of the total revenue. Local Grants revenue for 2008 was $55,000, and accounts for 3.7% of the total revenue. Investment Income and Other Revenues make up the remaining 1.2% 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, 2008, amounts to $377,239 (net of accumulated depreciation). This investment in capital assets includes Vehicles, Office Equipment, Shop Equipment, Computer Hardwar/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, 2008, MOTA had no debt obligations.

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 additional information should be addressed to: Pam Hinkens, Administrator, Mid Ohio Transit Authority, 25 Columbus Road, Mount Vernon, Ohio 43050.

MID-OHIO TRANSIT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

ASSETS	
Current Assets:	
Cash & Cash Equivalents	$ 160,585
Accounts Receivable - Net	150,207
Total Current Assets	310,792
Property, Plant & Equipment	
Vehicles	1,030,236
Office Equipment	27,554
Shop Equipment	235,053
Computer Hardware/Software	177,127
Leasehold Improvements	497,397
	1,967,367
Less: Accumulated Depreciation	1,590,128
Total Property, Plant & Equipment	377,239
Total Assets	$ 688,031
LIABILITES AND FUND EQUITY	
Current Liabilites	
Accounts Payable	12,446
Accrued Expenses	200,917
Total Current Liabilities	213,363
Net Assets	
Invested in capital assets, net of related debt	377,239
Unrestricted net assets	97,429
Total Net Assets	474,668
Total Liabilites and Net Assets	$ 688,031

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, 2008

Operating Revenues	
Farebox Revenue	$ 135,724
Special Transit Fees	175,500
Total Operating Revenues	311,224
Opererating Expenses	
Salaries & Wages	782,274
Employee Benefits	327,788
Professional Services	19,813
Contract Maintenance	14,634
Vehicle Expense	207,631
Other Material and Supplies	33,282
Utilities	27,833
Insurance	15,961
Other Expense	17,038
Depreciation	131,269
Total Operating Expenses	1,577,523
Operating Loss	(1,266,299)
Nonoperating Revenues	
Federal Grants	763,664
State Grants	229,467
State Elderly and Disabled Fare Assistance	106,040
Local Grants	55,000
Investment Income	10,135
Other Revenues	7,276
Total Nonoperating Revenues	1,171,582
Net Loss	(94,717)
Beginning Net Assets	569,385
Ending Net Assets	$ 474,668

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

MID-OHIO TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flow from Operating Activities		
Cash received from Customers		$ 307,677
Cash Payments for Employee Services and Benefits		(1,089,291)
Cash Payments to Suppliers for Goods and Services		(346,903)
Net Cash Used in Operating Activities		(1,128,517)
Cash Flow from Noncapital Financing Activities		
Federal, State and Local Grants	1,039,725	
Other	7,276	
Net Cash Provided by Noncapital Financing Activities		1,047,001
Cash Flow from Capital and Related Financing Activities		
Capital Grants	114,446	
Purchase of Capital Assets		
Vehicles	(161,750)	
Leasehold Improvement	(4,742)	
Net Cash Used in Financing Activities		(52,046)
Cash Flow from Investing Activities		
Investment Income	10,135	
Net Cash Provided by Investing Activities		10,135
Net Decrease in Cash		(123,427)
Cash, Beginning of Year		284,012
Cash, End of Year		$ 160,585

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss		$ (1,266,299)
Adjustments		
Depreciation		$ 131,269
(Increase)/Decrease in Assets:		
Accounts Receivable	(3,547)	
Prepaid Expenses	2,099	
Increase/(Decrease) in Liabilities:		
Accounts Payable	(12,809)	
Accrued Expenses	20,770	
Total Adjustments		6,513
Net Cash Used in Operating Activities		$ (1,128,517)

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2008

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. Bases on the criteria established by GASB Statement No. 14 and 39, 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 record 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 of 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.

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 equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

The Authority has classified its revenues as either operating or non-operating. Operating revenues are those revenues that are generated directly from the Authority's primary activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Authority. Revenues and expenses not meeting this definition are reported as non-operating.

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 non exchange transactions. Grants and assistance revenues from government-mandated and voluntary non exchange 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.

The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make allocations directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

When assets acquired with capital grants funds are disposed of, 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 and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

Property and Equipment

The Authority defines capital assets as assets with an initial cost of at least $1,000 and an estimated useful life in excess of one year. Property and Equipment are recorded at cost. Current year depreciation expense is $131,269 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Fund 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 and sick pay 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. Vacation and compensatory benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable the Authority will compensate employees for the benefits through time off or some other means. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments.

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 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Deposits

At December 31, 2008, carrying amount of MOTA's deposits was $160,585 at December 31, 2008. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of Decemeber 31, 2008, all of MOTA's bank balance of $169,177 was covered by Federal Deposit Insurance Corporation and therefore was not subject to custodial credit risk.

Custodial risk is the risk that, in the event of bank failure, MOTA's deposits may not be returned. All deposits are collateralized 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 collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

NOTE 4 – DEBT OBLIGATION

MOTA has available 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, 2008.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 is as follows.

	Balance at	Capital Assets		Balance at
Description	1/1/2008	Additions	Disposals	12/31/2008
Vehicles	$ 1,084,011	$ 161,750	$ (215,525)	$ 1,030,236
Office Equipment	27,554	-		27,554
Shop Equipment	235,053	-		235,053
Computer Hardware/Software	177,127	-		177,127
Leasehold Improvements	492,655	4,742		497,397
Total Capital Assets	2,016,400	166,492	(215,525)	1,967,367
Less Accumulated Depreciation				
Vehicles	(917,547)	(85,878)	215,525	(787,900)
Office Equipment	(24,196)	(1,344)		(25,540)
Shop Equipment	(229,595)	(5,460)		(235,055)
Computer Harware/Software	(162,806)	(5,427)		(168,233)
Leasehold Improvements	(340,240)	(33,160)		(373,400)
Total Accumulated Depreciation	(1,674,384)	(131,269)	215,525	(1,590,128)
Total Capital Assets, Net	$ 342,016	$ 35,223	$ -	$ 377,239

NOTE 6 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

Defined Benefit Pension Plan

The Ohio Public Employees Retirements 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 Government Employers* (Statement No. 27). OPERS administers three separate pension plans as described below:

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

2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employers contributions vest over five years at 20% per year). Under the Member – Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

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

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

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2008 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The 2008 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2008 was 17.40%.

MOTA's contributions, representing 100% of employer's contributions for the years ended December 31, 2008, 2007, 2006, 2005, 2004, 2003, 2002 were $104,800, $104,754, $94,689, $91,592, $95,788, $93,646, and $94,671, respectively.

All required contributions were made for each of those fiscal year ends. For 2008, $16,779 was unpaid as of December 31 and is recorded as a liability.

NOTE 6 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

MOTA's contributions for post employment health care, representing 5% of employer's contributions for the year ended December 31, 2008 was $5,240. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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 – CONTINGENCIES

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2008 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 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

MID-OHIO TRANSIT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

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			
Formulas Grants For Other Than Urbanized Areas - Operating	RPT-4042-022-031	20.509	$ 655,265
Formalas Grants For Other Than Urbanized Areas - Capital	RPT-0042-022-032	20.509	108,399
Total Federal Awards Expenditures			$ 763,664

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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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
25 Columbus Road
Mount Vernon, Ohio 43050

We have audited the financial statements of the business-type activities of Mid-Ohio Transit Authority (the Authority), Knox County, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 5, 2009, in which we noted that the Authority adopted Governmental Accounting Standards Board Statement No.45 and No. 50. 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 the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the entity's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding number 2008-002 as described in the accompanying Schedule of Findings and Questioned Costs, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

Internal Control Over Financial Reporting
(Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Authority's management in a separate letter dated June 5, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2008-001.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 5, 2009

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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
25 Columbus Road
Mount Vernon, Ohio 43050

Compliance

We have audited the compliance of the Mid-Ohio Transit Authority, (the Authority), Knox County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended December 31, 2008. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing 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 apply to its major federal program for the year ended December 31, 2008.

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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Internal Control Over Compliance (Continued)

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

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

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

June 5, 2009

Mid-Ohio Transit Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended December 31, 2008

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Federal Formula Grants for other than Urbanized Areas, CFDA #20.509
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding No. 2008-001

Material Noncompliance – Payroll Taxes and Filings

Federal income tax regulations require the Authority to prepare the IRS Tax Form 941 on a quarterly basis, and to make monthly deposits of Medicare and Income Tax withholdings. Various Ohio Revised Code Sections also require the Authority to withhold from the employee's wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to remit to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

The Authority was delinquent in filing IRS Tax form 941 for the 3rd Quarter of 2008. The Authority did not remit payroll withholdings to the appropriate agencies accurately or in a timely manner. Furthermore, the Authority did not make the required quarterly unemployment tax payments during the year.

Failure to file the required forms and remit payments with the appropriate taxing agencies resulted in non-compliance with federal income tax requirements, and has resulted in unnecessary interest and penalties for which the Authority is liable. The Authority has also made overpayments to the Ohio Public Employees Retirement System (OPERS), and the State of Ohio.

The Authority should develop and implement procedures to ensure that all required tax deposits are made and the appropriate tax forms are prepared accurately and timely, and are submitted in accordance with applicable requirements. The Authority should contact all taxing authorities (federal, state and local) and OPERS, and obtain documentation to determine what forms have been submitted, those that remain unsubmitted, whether balances are still owed to these agencies, and to settle theses liabilities and/or overpayment situations to ensure accounts are up to date. We also recommend that the Authority contact the Internal Revenue Service (IRS) taxpayer advocate services to determine whether the IRS can waive any of the penalties and interest incurred by the Authority.

Client Response:

Mid-Ohio Transit Authority is now current on all tax returns and employee withholding reports. A Monthly and Quarterly Check List has been developed and implemented indicating each authority, each authority's submission date (deadline) and the date the return/report was completed and filed. Mid-Ohio Transit Authority has contacted all taxing and employee withholding authorities (federal, state & local) and verified that all outstanding tax returns and employee withholding reports have been completed and filed. Waivers were requested on all assessments of penalties and interest and those not waived have been paid in full on a timely basis.

Mid-Ohio Transit Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended December 31, 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)

Finding No. 2008-002

Significant Deficiency – Vacation and Sick Leave Accrual

Per the Authority's leave policy, employees are entitled to 15 days sick leave per year. Vacation is granted after a full year's service is completed with 10 days per year.

During review of accrued sick and vacation leave, it was noted that the payroll system was not being adjusted for sick and vacation leave taken by the Authority's two salaried employees.

We recommend the Authority determine how to enter any sick and vacation leave time taken by salaried employees into the payroll system, and reconcile to actual amounts taken by employees.

Client Response:

Written confirmation has been secured from all salary employees detailing the dates and amounts of any sick or vacation time taken and the appropriate reconciliation adjustments have been made to their accrued banks to reflect the utilization of those confirmed hours. All current MOTA employees involved in the processing of payroll have now been trained on how to record the appropriate sick and vacation hours utilized as they are reported each pay period.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

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
SEPTEMBER 3, 2009