

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**FINANCIAL STATEMENT  
(AUDITED)**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

**HILARY PATTERSON, ADMINISTRATOR**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Mid-Ohio Transit Authority, Knox County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

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

Dave Yost  
Auditor of State

July 9, 2012

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**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Accountants' Report

Mid-Ohio Transit Authority  
Knox County  
25 Columbus Road  
Mount Vernon, Ohio 43050

To the Board of Directors:

We have audited the accompanying basic financial statements of the Mid-Ohio Transit Authority, Knox County, Ohio, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Mid-Ohio Transit 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 the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 the Mid-Ohio Transit Authority, as of December 31, 2011, 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 *Government Auditing Standards*, we have also issued our report dated May 30, 2012, on our consideration of the Mid-Ohio Transit 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.

Independent Accountants' Report  
Mid-Ohio Transit Authority  
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Mid-Ohio Transit Authority's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information 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. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in a material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.  
May 30, 2012



# MID-OHIO TRANSIT AUTHORITY KNOX COUNTY, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

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, 2011. 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 \$565,479. These net assets result from the difference between total assets of \$803,805 and total liabilities of \$238,326.
- Current assets of \$246,068 primarily consist of non-restricted Cash and Cash Equivalents of \$156,364, Accounts Receivable of \$66,249 and Intergovernmental Receivables of \$29,774.
- Current Liabilities of \$238,326 primarily consist of Accrued Payroll, Benefits, and Withheld Payroll Taxes of \$131,588, Accounts Payable of \$44,474 and Intergovernmental Payables of \$62,264.

## **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 over the \$5,000 threshold 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.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

**Financial Analysis of MOTA**

Table 1 provides a summary of MOTA's net assets for 2011 and 2010:

**Table 1**  
**Condensed Summary of Net Assets**

|  |                   |                   |
|--|-------------------|-------------------|
| <i>Assets:</i>                                   | <u>2011</u>       | <u>2010</u>       |
| Current Assets                                   | \$ 246,068        | \$ 206,416        |
| Capital Assets (net of accumulated depreciation) | <u>557,737</u>    | <u>640,226</u>    |
| Total Assets                                     | <u>803,805</u>    | <u>846,642</u>    |
| <i>Liabilities:</i>                              |                   |                   |
| Current Liabilities                              | <u>238,326</u>    | <u>179,961</u>    |
| <i>Net Assets:</i>                               |                   |                   |
| Invested in capital assets                       | 557,737           | 640,226           |
| Unrestricted net assets                          | <u>7,742</u>      | <u>26,455</u>     |
| Total net Assets                                 | <u>\$ 565,479</u> | <u>\$ 666,681</u> |

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.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

**Table 2**

**Condensed Summary of Revenues, Expenses and Changes in Net Assets**

|   | 2011          | 2010         |
|---|---------------|--------------|
| <i>Operating Revenues (Expenses):</i>             |               |              |
| Operating Revenues                                | \$ 370,759    | \$ 294,078   |
| Operating Expenses (excluding depreciation)       | (1,345,229)   | (1,254,980)  |
| Depreciation Expense                              | (190,352)     | (199,376)    |
| Operating Loss                                    | (1,164,822)   | (1,160,278)  |
| <br><i>Nonoperating Revenues:</i>                 |               |              |
| Federal Grants                                    | \$ 680,458    | \$ 1,008,779 |
| State Grants                                      | 191,654       | 218,000      |
| State Elderly and Disabled Fare Assistance        | 113,225       | 127,890      |
| Local Grants                                      | 52,000        | 57,000       |
| Investment Income                                 | 61            | 65           |
| Other Revenues                                    | 26,224        | 5,045        |
| Total Nonoperating Revenues                       | 1,063,622     | 1,416,779    |
| <br>(Decrease)/Increase in Net Assets During Year | <br>(101,200) | <br>256,501  |
| Net Assets, Beginning of Year (restated) *        | 666,679       | 340,670      |
| Net Assets, End of Year                           | \$ 565,479    | \$ 597,171   |

\*Net Assets were restated as a result of restating Vehicles within capital assets to properly state January 1, 2011 beginning balances.

**Financial Operating Activities**

The most significant operating expenses for MOTA are Salary and Wages, Employee Benefits, Depreciation expense, and Vehicle Expense. These expenses account for 91.5% of the total operating expenses. Salary and Wages, which accounts for 46.4% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 18.2% 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 12.4% of the total, represents current year depreciation less any disposals. Vehicle Expense, which accounts for 14.5% of the total, represents costs associated with materials and supplies used for vehicle operations consisting of diesel fuel, motor oils and tires for vehicles.

Funding for the most significant operating expenses indicated above is from Passenger fares including Special Transit Fees and Farebox revenue, as well as Nonoperating Revenues of \$1,063,622 in the form of Federal Grants, State Grants, State Elderly and Disabled (E&D) Fare Assistance, Local Grants, Investment Income and Other Revenues. These revenues account for 74.2% of the total combined revenues of \$1,434,381. Farebox revenue for 2011 was \$136,605, and accounts for 9.5% of the total revenues. Special Transit fees revenue for 2011 was \$234,154, and accounts for 16.3% of the total revenue. Federal Grants revenue for 2011 was \$680,458, and accounts for 47.4% of the total revenue. State Grants revenue for 2011 was \$191,654, and accounts for 13.3% of the total revenue. State E&D Fare Assistance revenue for

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

Management's Discussion and Analysis  
For the Year Ended December 31, 2011

**Financial Operating Activities, continued**

2011 was \$113,225, and accounts for 7.9% of the total revenue. Local Grants revenue for 2011 was \$52,000, and accounts for 3.6% of the total revenue. Investment Income and Other Revenues make up the remaining 1.8% 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, 2011, amounts to \$557,737 (net of accumulated depreciation). 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 Notes 2, 3 and 5 of the Notes to the Basic Financial Statements.

**Contingencies**

As of December 31, 2011, MOTA has to repay the Ohio Department of Transportation (ODOT) \$62,264 due to the release of their 2005-2009 Audit findings on April 6, 2011. This repayment will occur over three (3) years as a deduction of MOTA's Fourth Quarter Operating ODOT federal grants starting with Calendar Year 2012 and ending with Calendar Year 2014.

**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: Hilary Patterson, Administrator, Mid-Ohio Transit Authority, 25 Columbus Road, Mount Vernon, Ohio 43050.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

**ASSETS**

**Current Assets:**

|                              |                |
|------------------------------|----------------|
| Cash & Cash Equivalents      | \$ 156,364     |
| Accounts Receivable          | 36,475         |
| Intergovernmental Receivable | 29,774         |
| Prepaid Expenses             | 23,455         |
| <b>Total Current Assets</b>  | <u>246,068</u> |

**Noncurrent Assets:**

|                                |                  |
|--------------------------------|------------------|
| Vehicles                       | 943,852          |
| Office Equipment               | 14,858           |
| Shop Equipment                 | 192,174          |
| Computer Hardware/Software     | 149,362          |
| Leasehold Improvements         | 517,050          |
|                                | <u>1,817,296</u> |
| Less: Accumulated Depreciation | 1,259,559        |
| <b>Total Noncurrent Assets</b> | <u>557,737</u>   |

**Total Assets** \$ 803,805

**LIABILITES**

**Current Liabilites**

|                                  |                |
|----------------------------------|----------------|
| Accounts Payable                 | \$ 44,474      |
| Intergovernmental Payable        | 62,264         |
| Accrued Expenses                 | 131,588        |
| <b>Total Current Liabilities</b> | <u>238,326</u> |

**NET ASSETS**

|   |                |
|---|----------------|
| Invested in capital assets, net of related debt | 557,737        |
| Unrestricted net assets                         | 7,742          |
| <b>Total Net Assets</b>                         | <u>565,479</u> |

**Total Liabilites and Net Assets** \$ 803,805

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|  |                   |
|--|-------------------|
| <b>Operating Revenues</b>                  |                   |
| Farebox Revenue                            | \$ 136,605        |
| Special Transit Fees                       | 234,154           |
| <b>Total Operating Revenues</b>            | <u>370,759</u>    |
| <br><b>Operating Expenses</b>              |                   |
| Salaries & Wages                           | 712,651           |
| Employee Benefits                          | 279,424           |
| Professional Services                      | 16,713            |
| Contract Maintenance                       | 31,536            |
| Vehicle Expense                            | 222,767           |
| Other Material and Supplies                | 13,939            |
| Utilities                                  | 20,515            |
| Insurance                                  | 16,313            |
| Other Expense                              | 31,371            |
| Depreciation                               | 190,352           |
| <b>Total Operating Expenses</b>            | <u>1,535,581</u>  |
| <b>Operating Loss</b>                      | (1,164,822)       |
| <br><b>Nonoperating Revenues</b>           |                   |
| Federal Grants                             | 680,458           |
| State Grants                               | 191,654           |
| State Elderly and Disabled Fare Assistance | 113,225           |
| Local Grants                               | 52,000            |
| Investment Income                          | 61                |
| Other Revenues                             | 26,224            |
| <b>Total Nonoperating Revenues</b>         | <u>1,063,622</u>  |
| <b>Net Loss</b>                            | (101,200)         |
| <b>Beginning Net Assets (Restated)</b>     | <u>666,679</u>    |
| <b>Ending Net Assets</b>                   | <u>\$ 565,479</u> |

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Cash Flow from Operating Activities**

|   |  |                  |
|---|--|------------------|
| Cash received from Customers                      |  | \$ 380,260       |
| Cash Payments for Employee Services and Benefits  |  | (1,004,807)      |
| Cash Payments to Suppliers for Goods and Services |  | <u>(367,778)</u> |
| Net Cash Used in Operating Activities             |  | <u>(992,325)</u> |

**Cash Flow from Noncapital Financing Activities**

|  |              |         |
|--|--------------|---------|
| Federal, State and Local Grants                      | 904,569      |         |
| Other Revenues                                       | <u>9,813</u> |         |
| Net Cash Provided by Noncapital Financing Activities |              | 914,382 |

**Cash Flow from Capital and Related Financing Activities**

|   |               |         |
|---|---------------|---------|
| Capital Grants  | 214,278       |         |
| Purchase of Capital Assets                                    |               |         |
| Vehicles  | (126,990)     |         |
| Gain/(Loss) on Disposal of Assets                             | <u>35,538</u> |         |
| Net Cash Provided by Capital and Related Financing Activities |               | 122,826 |

**Cash Flow from Investing Activities**

|   |           |           |
|---|-----------|-----------|
| Investment Income                         | <u>61</u> |           |
| Net Cash Provided by Investing Activities |           | <u>61</u> |

|                         |  |                          |
|-------------------------|--|--------------------------|
| Net Increase in Cash    |  | 44,944                   |
| Cash, Beginning of Year |  | <u>111,420</u>           |
| Cash, End of Year       |  | <u><u>\$ 156,364</u></u> |

**Reconciliation of Operating Loss to Net Cash Used  
by Operating Activities:**

|                                       |                 |                            |
|---------------------------------------|-----------------|----------------------------|
| Operating Loss                        |                 | \$ (1,164,822)             |
| Adjustments                           |                 |                            |
| Depreciation                          |                 | 190,352                    |
| (Increase)/Decrease in Assets:        |                 |                            |
| Accounts Receivable                   | 9,501           |                            |
| Prepaid Expenses                      | (23,455)        |                            |
| Increase/(Decrease) in Liabilities:   |                 |                            |
| Accounts Payable                      | 8,831           |                            |
| Accrued Expenses                      | <u>(12,732)</u> |                            |
| Total Adjustments                     |                 | <u>(17,855)</u>            |
| Net Cash Used by Operating Activities |                 | <u><u>\$ (992,325)</u></u> |

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 - DESCRIPTION OF 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 Directors with an appointed Administrator handling the daily operations. MOTA provides transportation services mainly in Knox County, to include but not limited to, disadvantaged, elderly and riders who use mobility devices.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, “The Reporting Entity”, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, MOTA is not considered part of any other financial reporting entity. There are not agencies or organizations for which MOTA is considered the primary government. Accordingly, MOTA is the sole organization of the reporting entity. 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of MOTA’s accounting policies are described below.

**A. Basis of Accounting/ Measurement Focus**

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.

MOTA’s activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with MOTA’s operations are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 to apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. MOTA has elected not to apply these FASB Statements and Interpretations.

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.

**B. 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.



**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Cash and Cash Equivalents**

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates fair 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. Interest income earned by MOTA totaled \$61 for the year ended December 31, 2011.

**D. 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, non-reimbursable, and entitlement type grant programs. These grant programs involve transactions that are categorized as either government-mandated or voluntary non-exchange transactions. Grant and assistance revenues from government-mandated and voluntary non-exchange transactions are recorded as a receivable and non-operating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

**E. Noncurrent Assets**

Property and Equipment are recorded at cost. MOTA has a \$5,000 depreciation threshold. Current year depreciation expense is \$190,352 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 for permission to dispose. If vehicles are not past their useful life and are approved to be disposed, 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 back to the granting federal agency. If vehicles or equipment are past their useful life the proceeds from the disposed equipment or vehicles will be re-invested and used as local match for future capital purchases.

**F. Compensated Absences**

MOTA accrues vacation benefits as earned by its full-time employees. Employees are encouraged to use their vacation throughout the year as to not accumulate more than they earn annually. Unused vacation benefits are paid to the employee upon separation from MOTA.

Full-time employees accrue sick leave while employed at MOTA. Upon retirement only, in addition to, and having ten (10) years of public service they will be paid 25% of the value of (up to 960 hours) accumulated unused sick leave credit. This will never be more than 240 hours at their regular rate of pay. The GAAP vesting method is utilized in determining the liability for sick leave.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. 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.

**H. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activities. For MOTA, these revenues are primarily charges for transportation services. Non-operating revenues are primarily operating and capital grants from federal, state and local sources. Operating expenses are necessary costs incurred to provide transportation services, which is the primary activity of MOTA. All expenses not meeting this definition are reported as non-operating expenses.

**I. Net Assets**

Net assets represent the difference between assets and liabilities, net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by MOTA or through external restrictions imposed by creditors, grantor, laws or regulating of other governments. MOTA applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Prepaid Expenses**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

**NOTE 3 - RESTATEMENT OF NET ASSETS**

MOTA's net assets have been restated due to an updated inventory of vehicles performed during 2011.

|                                      |                  |
|--------------------------------------|------------------|
| Net Assets, December 31, 2010        | \$597,171        |
| Adjustment to Capital Assets in 2011 | <u>\$ 69,508</u> |
| Restated net assets, January 1, 2011 | <u>\$666,679</u> |

See Note 5 for the effect of the change on capital asset and accumulated depreciation balances as previously reported by MOTA on December 31, 2010.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

At December 31, 2011, carrying amount of MOTA's deposits was \$156,364. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, all of MOTA's bank balance of \$170,969 was covered by the Federal Deposit Insurance Corporation (FDIC) and therefore was not subject to custodial credit risk.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit 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, or may pledge a pool of government securities with a fair 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 5 - CAPITAL ASSETS**

As stated in Note 3, MOTA's capital assets and accumulated depreciation are being restated due to an updated inventory of vehicles in 2011. The restatement of capital asset and accumulated depreciation had the following effect on the balances as previously reported:

| <u>Description</u>             | <u>Balance at</u><br><u>12/31/2010</u> | <u>Adjustment for</u><br><u>Updated Inventory</u> | <u>Restated</u><br><u>Balance at</u><br><u>1/1/2011</u> |
|--------------------------------|--|---|---|
| Vehicles                       | \$ 1,270,265                           | \$ (69,653)                                       | \$ 1,200,612  |
| Office Equipment               | 27,554                                 |   | 27,554  |
| Shop Equipment                 | 235,053                                |   | 235,053   |
| Computer Hardware/Software     | 185,127                                | -   | 185,127   |
| Leasehold Improvements         | 543,494                                | -   | 543,494   |
| Total Capital Assets           | <u>2,261,493</u>                       | <u>(69,653)</u>                                   | <u>2,191,840</u>  |
| Less Accumulated Depreciation  |  |   |   |
| Vehicles                       | (821,340)                              | 139,161   | (682,179)   |
| Office Equipment               | (27,556)                               | -   | (27,556)  |
| Shop Equipment                 | (235,055)                              | -   | (235,055)   |
| Computer Hardware/Software     | (177,129)                              | -   | (177,129)   |
| Leasehold Improvements         | (429,695)                              | -   | (429,695)   |
| Total Accumulated Depreciation | <u>(1,690,775)</u>                     | <u>139,161</u>                                    | <u>(1,551,614)</u>                                      |
| Total Capital Assets, Net      | <u>\$ 570,718</u>                      | <u>\$ 69,508</u>                                  | <u>\$ 640,226</u>                                       |

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 5 - CAPITAL ASSETS - (Continued)**

Capital asset activity for the year ended December 31, 2011 was as follows:

| <u>Description</u>             | Restated<br>Balance at<br><u>12/31/2010</u> | <u>Additions</u>   | <u>Disposals</u>   | Balance at<br><u>12/31/2011</u> |
|--------------------------------|---|--------------------|--------------------|---------------------------------|
| Vehicles                       | \$ 1,200,612                                | \$ 126,990         | \$ (383,750)       | \$ 943,852                      |
| Office Equipment               | 27,554                                      |                    | (12,696)           | 14,858                          |
| Shop Equipment                 | 235,053                                     |                    | (42,879)           | 192,174                         |
| Computer Hardware/Software     | 185,127                                     | -                  | (35,765)           | 149,362                         |
| Leasehold Improvements         | 543,494                                     | -                  | (26,444)           | 517,050                         |
| Total Capital Assets           | <u>2,191,840</u>                            | <u>126,990</u>     | <u>(501,534)</u>   | <u>1,817,296</u>                |
| Less Accumulated Depreciation  |   |                    |                    |                                 |
| Vehicles                       | (682,179)                                   | (163,721)          | 382,505            | (463,395)                       |
| Office Equipment               | (27,556)                                    | -                  | 12,698             | (14,858)                        |
| Shop Equipment                 | (235,055)                                   | -                  | 42,881             | (192,174)                       |
| Computer Hardware/Software     | (177,129)                                   | (3,351)            | 36,920             | (143,560)                       |
| Leasehold Improvements         | (429,695)                                   | (23,280)           | 7,403              | (445,572)                       |
| Total Accumulated Depreciation | <u>(1,551,614)</u>                          | <u>(190,352)</u>   | <u>482,407</u>     | <u>(1,259,559)</u>              |
| Total Capital Assets, Net      | <u>\$ 640,226</u>                           | <u>\$ (63,362)</u> | <u>\$ (19,127)</u> | <u>\$ 557,737</u>               |

**NOTE 6 - RETIREMENT SYSTEM**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is 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 the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, 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 the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members in State and local classifications and MOTA's contribution rate for 2011 was 14%.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 6 - RETIREMENT SYSTEM - (Continued)**

MOTA's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2011 was 10% and 7.95%, respectively. MOTA's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$69,117, \$67,500, and \$61,024, respectively; 100% has been contributed for 2009 through 2011.

**NOTE 7 - POSTRETIREMENT BENEFIT PLANS**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement healthcare through their contributions to OPERS. A portion of each employer's contribution 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 employees. In 2011, local government employers contributed 14.00% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS post employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for the funding of the post employment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

MOTA's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$27,811, \$38,481, and \$44,125, respectively. Contributions to the Member-Directed Plan for 2011 were \$864 made by MOTA and \$617 made by plan members.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 7 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**NOTE 8 - 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; inquiries 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 9 - CONTINGENCIES**

**A. Litigation**

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2011 MOTA is involved in pending litigation, and is being represented by the Attorney General's office. Management does not believe the outcome will have a material effect on the financial statements.

**B. Grants**

MOTA receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of MOTA. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of MOTA.

**C. Contingencies**

As of December 31, 2011 MOTA owes the Ohio Department of Transportation (ODOT) \$62,264.00 due to unallowable costs associated with their 2005 through 2009 audit which they presented to the MOTA Board on April 6, 2011. The repayment of these unallowable costs will be distributed in three (3) years, and will be deducted from the MOTA Fourth Quarter Operating Invoices for Grant Calendar Years 2012 through 2014. There is pending litigation associated with the former MOTA Administrator regarding these unallowable costs that were paid to MOTA by the ODOT Office of Transit.

**NOTE 10 - SIGNIFICANT SUBSEQUENT EVENT**

On January 31, 2012, MOTA was reformatted as the Knox County Transit Board (KCTB) D.B.A. Knox Area Transit (KAT) pursuant to ORC 306.54. All MOTA assets, liabilities, responsibilities and ODOT contracts were transferred to KCTB. KCTB has exclusive control and is not subject to supervision by Knox County or its officers pursuant to ORC 306.11.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

| Federal Grantor/Pass through Grantor<br>Program Title         | Pass through Entity<br>Number | Federal CFDA<br>Number | Expenditures             |
|---|-------------------------------|------------------------|--------------------------|
| <b><u>U.S. Department of Transportation</u></b>               |                               |                        |                          |
| Passed-through the Ohio Department of Transportation          |                               |                        |                          |
| Formulas Grants For Other Than Urbanized<br>Areas - Operating | RPT-4042-031-111              | 20.509                 | \$ 530,983               |
| Formulas Grants For Other Than Urbanized<br>Areas - Capital   | RPT-0042-031-112              | 20.509                 | 78,014                   |
| Formulas Grants For Other Than Urbanized<br>Areas- Capital    | RPT-0042-030-102              | 20.509                 | 125,779                  |
| ARRA - Formulas Grants For Other Than Urbanized<br>Areas      | RPTS-0042-001-093             | 20.509                 | <u>7,946</u>             |
| <b>Total Federal Awards Expenditures</b>                      |                               |                        | <b><u>\$ 742,722</u></b> |

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

MOTA prepares its Schedule of Expenditures of Federal Awards 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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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Mid-Ohio Transit Authority  
Knox County  
25 Columbus Road  
Mount Vernon, Ohio 43050

To the Board of Directors:

We have audited the financial statements of the Mid-Ohio Transit Authority, Knox County, Ohio, as of and for the year ended December 31, 2011, and have issued our report thereon dated May 30, 2012. 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 Mid-Ohio Transit Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Mid-Ohio Transit Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Mid-Ohio Transit Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-MOTA-001 and 2011-MOTA-002 to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors  
Mid-Ohio Transit Authority

Compliance and Other Matters

As part of reasonably assuring whether the Mid-Ohio Transit 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Mid-Ohio Transit Authority's management in a separate letter dated May 30, 2012.

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

We intend this report solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and others within the Mid-Ohio Transit Authority. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
May 30, 2012



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable  
to Its Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

Mid-Ohio Transit Authority  
Knox County  
25 Columbus Road  
Mount Vernon, Ohio 43050

To the Board of Directors:

Compliance

We have audited the compliance of the Mid-Ohio Transit Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Mid-Ohio Transit Authority's major federal program for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Mid-Ohio Transit Authority's major federal program. The Mid-Ohio Transit Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to opine on the Mid-Ohio Transit Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Mid-Ohio Transit Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Mid-Ohio Transit Authority's compliance with these requirements.

In our opinion, the Mid-Ohio Transit Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The Mid-Ohio Transit Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Mid-Ohio Transit Authority's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Mid-Ohio Transit Authority's internal control over compliance.

Board of Directors  
Mid-Ohio Transit Authority

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and others within the Mid-Ohio Transit Authority. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
May 30, 2012

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |  |  |
|--|--|--|
| <i>(d)(1)(i)</i>                       | Type of Financial Statement Opinion  | Unqualified  |
| <i>(d)(1)(ii)</i>                      | Were there any material control weakness reported at the financial statement level (GAGAS)?                    | No   |
| <i>(d)(1)(ii)</i>                      | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes  |
| <i>(d)(1)(iii)</i>                     | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(iv)</i>                      | Were there any material internal control weakness reported for the major federal programs?                     | No   |
| <i>(d)(1)(iv)</i>                      | Were there any significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>                       | Type of Major Program's Compliance Opinion   | Unqualified  |
| <i>(d)(1)(vi)</i>                      | Are there any reportable findings under § .510(a)?   | No   |
| <i>(d)(1)(vii)</i>                     | Major Program:   | Formula Grants for Other Than Urbanized Areas - CFDA #20.509 |
| <i>(d)(1)(viii)</i>                    | Dollar Threshold: Type A/B Programs  | Type A: >\$300,000<br>Type B: all others                     |
| <i>(d)(1)(ix)</i>                      | Low Risk Auditee?  | No   |

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

| <b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |               |
|--|---------------|
| Finding Number   | 2011-MOTA-001 |

**Significant Deficiency - Restatement of Net Assets and Capital Assets**

MOTA presented restated capital assets and related accumulated depreciation in their financial statements based on a valuation performed by MOTA's Administrator. Amounts reported at December 31, 2010 for capital assets and accumulated depreciation, respectively, were improperly reported.

These discrepancies resulted in a prior period adjustment in the amount of \$69,653 for capital assets and \$139,161 for accumulated depreciation, for a net asset adjustment of \$69,508.

The presentation of materially correct financial statements and the related footnotes, specifically capital assets and related accumulated depreciation and depreciation expense is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed related to capital assets that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditor to perform this control procedure as auditors must remain independent.

We recommend that MOTA implement control procedures related to capital asset reporting that enables management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes, specifically, its presentation of capital assets and its related depreciation and accumulated depreciation.

*Client Response:* Presenting accurate financial statements is important to the management and Board of Directors of MOTA. MOTA has every intention of updating capital assets continually and do not anticipate this type of finding in the future.

|                |               |
|----------------|---------------|
| Finding Number | 2011-MOTA-002 |
|----------------|---------------|

**Significant Deficiency - Financial Statement Presentation**

Accurate financial reporting is an important part of MOTA's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

We identified a misstatement in the financial statements for the fiscal year under audit that was not initially identified by MOTA's internal controls. The audit adjustment was made to MOTA's financial statements. A description of the adjustment follows:

**Intergovernmental Payables:**

An adjustment was necessary to increase intergovernmental payables in the amount of \$62,264 to properly state future payments to ODOT.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

| <b>2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b> |                             |
|--|-----------------------------|
| Finding Number   | 2011-MOTA-002 - (Continued) |

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. Lack of a properly presented financial statement review process could inhibit its financial accountability to both the citizens and the Board, which they may use to facilitate MOTA's decisions.

We recommend that the MOTA implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

Client Response: MOTA will adopt controls to promote the presentation of materially correct financial statements in the future.

| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|
|--|

None

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2011**

| <b>Finding Number</b> | <b>Finding Summary</b>  | <b>Fully Corrected?</b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b> |
|-----------------------|---|-------------------------|---|
| 2010-MOTA-001         | Non-compliance Finding - 31 U.S.C. 7520(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end. | Yes                     | N/A – However, 2009 has not been filed as of May 30, 2012   |





# Dave Yost • 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  
JULY 19, 2012**