MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY, OHIO

FINANCIAL STATEMENT
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2010

HILARY PATTERSON, ADMINISTRATOR

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mid-Ohio Transit Authority, Knox County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. 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.

Dave Yost
Auditor of State

May 24, 2012

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MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY, OHIO

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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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 Auditor's Report

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

We have audited the accompanying basic financial statements of the Mid-Ohio Transit Authority, Knox County, Ohio, as of and for the fiscal year ended December 31, 2010, 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mid-Ohio Transit Authority as of December 31, 2010, and the changes in its financial position and its cash flows for the fiscal 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 29, 2011, 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.

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 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.

Julian & Grube, Inc.
June 29, 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, 2010. 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 $597,171. These net assets result from the difference between total assets of $777,134 and total liabilities of $179,963.
- Current assets of $206,416 primarily consist of non-restricted Cash and Cash Equivalents of $111,420 and Accounts Receivable of $94,996.
- Current Liabilities of $179,963 primarily consist of Accrued Payroll, Benefits, and Withheld Payroll Taxes of $144,320 and Accounts Payable of $35,643.

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 2010 and 2009:

Table1
Condensed Summary of Net Assets

	2010	2009
Assets:		
Current Assets	$ 206,416	$ 257,485
Capital Assets (net of accumulated depreciation)	570,718	333,422
Total Assets	777,134	590,907
Liabilities:		
Current Liabilities	179,963	250,237
Net Assets:		
Invested in capital assets	570,720	333,422
Unrestricted net assets	26,451	7,248
Total net Assets	$ 597,171	$ 340,670

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

	2010	2009
Operating Revenues (Expenses):		
Operating Revenues	$ 294,078	$ 281,679
Operating Expenses (excluding depreciation)	(1,254,980)	(1,472,594)
Depreciation Expense	(199,376)	(128,567)
Operating Loss	(1,160,278)	(1,319,482)
Non-Operating Revenues:		
Federal Grants	$ 1,008,779	$ 780,589
State Grants	218,000	205,531
State Elderly and Disabled Fare Assistance	127,890	120,188
Local Grants	57,000	55,000
Investment Income	65	18,814
Other Revenues	5,045	5,362
Total Non-Operating Revenues	1,416,779	1,185,484
Decrease / Increase in Net Assets During Year	256,501	(133,998)
Net Assets, Beginning of Year	340,670	474,668
Net Assets, End of Year	$ 597,171	$ 340,670

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 92.0% of the total operating expenses. Salary and Wages, which accounts for 49.3% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 18.0% 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 13.7% of the total, represents current year depreciation less any disposals (there were no disposals in 2010). Vehicle Expense, which accounts for 11.0% 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 Non-Operating Revenues in the form of Federal Grants, State Grants, State Elderly and Disabled Fare Assistance and Local Grants. These revenues account for 99.7% of the total combined revenues of $1,710,857. Farebox revenue for 2010 was $150,613, and accounts for 8.8% of the total revenues. Special Transit fees revenue for 2010 was $143,465, and accounts for 8.4% of the total revenue. Federal Grants revenue for 2010 was $1,008,779, and accounts for 59.0% of the total revenue. State Grants revenue for 2010 was $218,000, and accounts for 12.7% of the total revenue. State Elderly and Disabled Fare Assistance revenue for 2010 was $127,890, and accounts for 7.5% of the total revenue. Local Grants revenue for 2010 was $57,000, and accounts for 3.3% of the total revenue. Investment Income and Other Revenues make up the remaining .3% 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, 2010, amounts to $570,718 (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 Note 2 of the Notes to the Basic Financial Statements.

As of December 31, 2010, 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: 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, 2010

ASSETS	
Current Assets	
Cash & Cash Equivalents	$ 111,420
Accounts Receivable - Net	94,996
Total Current Assets	206,416
Property, Plant & Equipment	
Vehicles	1,270,265
Office Equipment	27,554
Shop Equipment	235,053
Computer Hardware/Software	185,127
Leasehold Improvements	543,494
	2,261,493
Less: Accumulated Depreciation	1,690,775
Total Property, Plant & Equipment	570,718
Total Assets	$ 777,134
LIABILITES AND FUND EQUITY	
Current Liabilites	
Accounts Payable	$ 35,643
Accrued Expenses	144,320
Total Current Liabilities	179,963
Net Assets	
Invested in capital assets, net of related debt	570,718
Unrestricted net assets	26,453
Total Net Assets	597,171
Total Liabilites and Net Assets	$ 777,134

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, 2010

Operating Revenues	
Farebox Revenue	$ 150,613
Special Transit Fees	143,465
Total Operating Revenues	294,078
Opererating Expenses	
Salaries & Wages	716,599
Employee Benefits	261,376
Professional Services	22,502
Contract Maintenance	18,008
Vehicle Expense	160,231
Other Material and Supplies	23,185
Utilities	22,454
Insurance	18,323
Other Expense	12,302
Depreciation	199,376
Total Operating Expenses	1,454,356
Operating Loss	(1,160,278)
Nonoperating Revenues	
Federal Grants	1,008,779
State Grants	218,000
State Elderly and Disabled Fare Assistance	127,890
Local Grants	57,000
Investment Income	65
Other Revenues	5,045
Total Nonoperating Revenues	1,416,779
Net Income	256,501
Beginning Net Assets	340,670
Ending Net Assets	$ 597,171

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, 2010

Cash Flow from Operating Activities		
Cash received from Customers		$ 290,202
Cash Payments for Employee Services and Benefits		(1,060,964)
Cash Payments to Suppliers for Goods and Services		(264,290)
Net Cash Used in Operating Activities		(1,035,052)
Cash Flow from Noncapital Financing Activities		
Operating Grants	990,070	
Other	5,045	
Net Cash Provided by Noncapital Financing Activities		995,115
Cash Flow from Capital and Related Financing Activities		
Capital Grants	421,599	
Purchase of Capital Assets		
Vehicles	(383,661)	
Computer	(8,000)	
Leasehold Improvement	(45,011)	
Net Cash Used by Financing Activities		(15,073)
Cash Flow from Investing Activities		
Investment Income	65	
Net Cash Provided by Investing Activities		65
Net Decrease in Cash		(54,945)
Cash, Beginning of Year		166,365
Cash, End of Year		$ 111,420

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Loss		$ (1,160,278)
Adjustments		
Depreciation		199,376
(Increase)/Decrease in Assets:		
Accounts Receivable	(3,876)	
Increase/(Decrease) in Liabilities:		
Accounts Payable	12,715	
Accrued Expenses	(82,989)	
Total Adjustments		(74,150)
Net Cash Used by Operating Activities		$ (1,035,052)

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

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 Commissioners with an appointed secretary-treasurer handling the daily operations. MOTA provides transportation services to the residents of Knox County, to include but not limited to, elderly and handicapped riders.

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

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 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.

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 $65 for the year ended December 31, 2010.

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. Property and Equipment

Property and Equipment are recorded at cost. Current year depreciation expense is $199,376 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 with MOTA will be paid 25% of the value of up to 160 hours accumulated unused sick leave credit.

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

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.

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.

NOTE 3 – DEPOSITS AND INVESTMENTS

At December 31, 2010, carrying amount of MOTA's deposits was $111,420. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, all of MOTA's bank balance of $116,146 was covered by the Federal Deposit Insurance Corporation (FDIC) and therefore was not subject to custodial credit risk.

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 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, 2010.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 is as follows:

	Balance at	Capital Assets		Balance at
Description	1/1/2010	Additions	Disposals	12/31/2010
Vehicles	$ 886,604	$ 383,661	$ -	$ 1,270,265
Office Equipment	27,554			27,554
Shop Equipment	235,053			235,053
Computer Hardware/Software	177,127	8,000		185,127
Leasehold Improvements	498,483	45,011		543,494
Total Capital Assets	1,824,821	436,672	-	2,261,493
Less Accumulated Depreciation				
Vehicles	(651,702)	(169,638)	-	(821,340)
Office Equipment	(26,884)	(672)		(27,556)
Shop Equipment	(235,055)	-		(235,055)
Computer Harware/Software	(171,198)	(5,931)		(177,129)
Leasehold Improvements	(406,560)	(23,135)		(429,695)
Total Accumulated Depreciation	(1,491,399)	(199,376)	-	(1,690,775)
Total Capital Assets, Net	$ 333,422	$ 237,296	$ -	$ 570,718

NOTE 6 – RETIREMENT SYSTEM

Plan Description - MOTA 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 writing to OPERS, Attention: Finance Director, 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 2010, member and contribution rates were consistent across all three plans. 2010 member contribution rates were 10.00% for members in State and local classifications. MOTA's contribution rate for 2010 was 14.00%.

MOTA's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. MOTA's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. MOTA's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were $102,059, $105,148, and $104,800, respectively; 84.2% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

NOTE 7 - POSTRETIREMENT BENEFIT PLANS

Plan Description - 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.

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. 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.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll. Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010.

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. Active members do not make contributions to the post-employment healthcare plan.

MOTA's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were $4,286, $4,439, and $5,240, respectively; 82.2% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. 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; 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 9 – CONTINGENCIES

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2010 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 10 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2010 consisted of accounts (billings) and intergovernmental grants.

NOTE 11 – NONCOMPLIANCE

MOTA expended $746,641 and $763,664 in federal awards in 2009 and 2008, respectively, but have not filed their reporting packet with the Federal Audit Clearinghouse as of the date of this report in noncompliance with 31 U.S.C. 7502(a)(1)(A).

SUPPLEMENTARY DATA

MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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-4042-030-101	20.509	$ 508,340
Formulas Grants For Other Than Urbanized Areas - Capital	RPT-0042-030-102	20.509	108,055
ARRA - Formulas Grants For Other Than Urbanized Areas - Stimulus	RPTS-0042-001-093	20.509	222,617
Formulas Grants For Other Than Urbanized Areas - Fuel Initiative	RPTC-421T-DOT-093	20.509	169,767
Total Federal Awards Expenditures			$ 1,008,779

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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Independent Accountants' 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 Commissioners
Mid-Ohio Transit Authority
25 Columbus Road
Mount Vernon, Ohio 43050

We have audited the financial statements of the Mid-Ohio Transit Authority, Knox County, Ohio, as of and for the year ended December 31, 2010 and have issued our report thereon dated June 29, 2011. 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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Mid-Ohio Transit Authority's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting 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.

Board of Commissioners
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 effect 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 intend this report solely for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 29, 2011

Julian & Grube, Inc.
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Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

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

Compliance

We have audited the compliance of the Mid-Ohio Transit Authority, Knox County, Ohio, 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, 2010. 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 express an opinion on the Mid-Ohio Transit 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audit 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 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 those 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 those requirements.

In our opinion, the Mid-Ohio Transit Authority complied, in all material respects, with the requirements referred to above that could directly or materially affect its major federal program for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses list the instance as item 2010-MOTA-001.

Internal Control Over Compliance

The Mid-Ohio Transit Authority's management 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 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 Commissioners
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.

The Mid-Ohio Transit Authority's response to the finding we identified is described on the accompanying schedule of findings and responses. We did not audit the Mid-Ohio Transit Authority's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management, the Board of Commissioners, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 29, 2011

MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for the major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Program:	Formula Grant 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

MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-MOTA-001
CFDA Title and Number	Formula Grant for Other Than Urbanized Areas – CFDA #20.509
Federal Award Number/Year	2010
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	U.S. Department of Transportation

<u>Non-compliance Finding</u>

31 U.S.C. 7502(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.

The Mid-Ohio Transit Authority expended $746,641 and $763,664 in federal awards in 2009 and 2008, respectively, but have not filed their reporting packet with the Federal Audit Clearinghouse as of the date of this report.

We recommend that upon completion of the annual audit, that the Mid-Ohio Transit Authority ensure timely filing of all required reports to the Federal Audit Clearinghouse.

<u>*Client Response*</u>: The submission has been delayed due to an ODOT procedural audit encompassing calendar years 2005 through 2009. The Mid-Ohio Transit Authority is aware of the requirement and will attempt to meet it in the future.

MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY, OHIO

STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:
2009-001	Material Weakness - Board monitoring financial activity and documenting approval of financial reports and resolutions	Yes	N/A
2009-002	Material Noncompliance - Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the Data Collection Form and reporting package shall be submitted within nine months after the end of the audit period	No	Repeated as finding 2010-MOTA-001
2009-003	Material Noncompliance - A-133 unallowable cost found during audit	Yes	N/A
2009-004	Material Noncompliance - FTA Circular 9040.1F Chapter III Section 2.c(3) reporting of net operating expenses	Yes	N/A
2009-005	Material Noncompliance - 49 CFR 18 Section 18.20(b)(1) - accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the Grant	Yes	N/A

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
MAY 29, 2012

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