

MID OHIO TRANSIT AUTHORITY FINANCIAL CONDITION

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

FISCAL YEAR AUDITED UNDER GAGAS: 2003



**Auditor of State
Betty Montgomery**

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 Haran, Watson and Co., for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 17, 2004

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MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

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HARAN, WATSON & COMPANY

Certified Public Accountants and Business Consultants

7600 OLENTANGY RIVER ROAD
SUITE 100
COLUMBUS, OHIO 43235
(614) 847-2333
FAX (614) 841-0487

30 CHESTERFIELD DRIVE
POST OFFICE BOX 489
CHESTER, NEW JERSEY 07930
Phone (908) 879-1859
FAX (908) 879-0487

www.hwco CPA.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Mid-Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio, as of and for the year ended December 31, 2003. These financial statements are the responsibility of MOTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOTA as of December 31, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated June 24, 2004 on our consideration of MOTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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


Haran, Watson & Company, Inc.
Columbus, Ohio
June 24, 2004

MID-OHIO TRANSIT AUTHORITY
BALANCE SHEET
DECEMBER 31, 2003

ASSETS

Current Assets:

Cash & Cash Equivalent	\$ 75,738
Accounts Receivable	121,609
Total Current Assets	197,347

Property, Plant & Equipment

Vehicles	1,500,443
Office Equipment	20,834
Shop Equipment	235,053
Computer Hardware/Software	162,301
Leasehold Improvements	460,875
	2,379,506
Less: Accumulated Depreciation	(1,647,368)
Total Property, Plant & Equipment	732,138

Total Assets	\$ 929,485
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LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts Payable	18,978
Accrued Expenses	88,340
Unearned Revenue	68,113
Other Liabilities	200
Total Current Liabilities	175,631

Equity

Retained Earnings	753,854
Total Equity	753,854

Total Liabilities and Fund Equity	\$ 929,485
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The accompanying notes are an integral part of these financial statements.

MID-OHIO TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Revenues	
Farebox Revenue	\$ 111,563
Special Transit Fees	220,841
Total Operating Revenues	332,404
 Operating Expenses	
Salaries & Wages	701,851
Employee Benefits	273,644
Professional Services	30,866
Contract Maintenance	10,204
Vehicle Expense	71,953
Other Material and Supplies	21,934
Utilities	22,266
Insurance	15,499
Other Expense	13,951
Interest Expense	58
Depreciation	221,504
Total Operating Expenses	1,383,730
Operating Loss	(1,051,326)
 Nonoperating Revenues	
Federal Grants	582,977
State Grants	265,357
State Senior Citizen Fare Assistance	51,887
Local Grants	51,887
Investment Income	331
Other Revenues	2,448
Total Nonoperating Expenses	954,887
Net Income	(96,439)
Beginning Equity	850,293
Ending Equity	\$ 753,854

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

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

Cash Flow from Operating Activities

Operating Loss		\$ (1,051,326)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		221,504
Loss on Disposal of Assets		4,297
Effect of Changes in Assets and Liabilities		
Accounts Receivable	(58,802)	
Prepaid Expenses	13,128	
Accounts Payable	(1,509)	
Accrued Expenses	15,661	
Unearned Revenue	68,113	
Total Adjustments	36,591	
Net Cash Used in Operating Activities		(788,934)

Cash Flow from Noncapital Financing Activities

Operating Grants	757,287	
Other	2,448	
	759,735	
Net Cash Provided by Noncapital Financing Activities		759,735

Cash Flow from Capital and Related Financing Activities

Capital Grants	194,821	
Purchase of Fixed Assets		
Vehicle	(117,299)	
Computer Hardware/Software	(24,597)	
Leasehold Improvement	(21,943)	
	30,982	
Net Cash Provided by Financing Activities		30,982

Cash Flow from Investing Activities

Investment Income	331	
	331	
Net Cash Provided by Investing Activities		331

Net Increase in Cash		2,114
Cash, Beginning of Year		73,624
Cash, End of Year		\$ 75,738

The accompanying notes are an integral part of these financial statements

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

Description of the Reporting Entity

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting, MOTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

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 Commissioners.

Cash and Cash Equivalents

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

Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box.

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

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Property and Equipment

Property and Equipment are recorded at cost. Current year depreciation expense is \$221,504 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

Fund Accounting

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

Compensated Absences

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

Use of Estimates

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security maintained for public deposits and investments be held in MOTA’s name.

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

NOTE 3 – CASH AND INVESTMENTS (cont)

MOTA is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a “derivative”). MOTA is also prohibited from investing in reverse repurchase agreements.

Deposits

The carrying amount of MOTA’s deposits was \$75,738 at December 31, 2003 with a \$83,976 bank balance. Of the bank balance, all was covered by federal depository insurance.

NOTE 4 – DEBT OBLIGATION

MOTA has available a line-of-credit with a local bank to be used when subsidy payments are not received timely. There was no balance outstanding at December 31, 2003.

NOTE 5 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYEMENT BENEFITS:

Defined Benefit Pension Plan

The Ohio Public Employees Retirement System is reported using GASB Statement No. 27 *Accounting for Pensions by State and Local Governmental Employers*.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- 1) The Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- 3) The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, the member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2003 member contribution rates were 8.5%.

The 2003 employer contribution rate was 13.55% of covered payroll. MOTA’s contributions, representing 100% of employer’ contributions for the years ended December 31, 2003, 2002, and 2001 were \$93,646, \$94,671, and \$98,856, respectively.

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

Defined Benefit Pension Plan (cont)

All required contributions were made prior to each of those fiscal year ends except for 2003 for which \$14,903 was unpaid as of December 31, 2003 and is recorded as a liability.

Postemployment Benefits

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2003 rate was 13.55% of covered payroll, and 5% was used to fund health care for the year.

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

Actuarial Review: The following assumptions and calculations were based on OPERS' latest Actuarial Review performed as of December 31, 2002.

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

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return: The investment assumption rate for 2002 was 8%.

Active Employee Total Payroll: An annual increase of 4% compounded annually, is the based portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increase, over and above the 4% base increase, were assumed to range from 0.5% to 6.3%.

Health Care: Health care costs were assumed to increase 4% annually.

MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2003

Postemployment Benefits (cont)

contributions that were used to fund post-employment benefits was \$36,478. \$10 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

NOTE 6 – 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 7 – CONTINGENCIES

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2003 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 8 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2003 consisted of accounts (billings) and intergovernmental grants. All receivables are considered collectible in full; therefore, an allowance for uncollectible accounts receivable is not considered necessary.

MID-OHIO TRANSIT AUTHORITY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>			
Passed-through the Ohio Department of Transportation			
Formula Grants For Other Than Urbanized Areas - Operating	RPT-4042-022-031	20.509	\$ 444,635
Formula Grants For Other Than Urbanized Areas - Capital	RPT-0042-022-032	20.509	<u>131,830</u>
Total Federal Awards Expenditures			<u>\$ 576,465</u>

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

MOTA prepares its Schedule of Federal Awards Expenditures of 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.



HARAN, WATSON & COMPANY

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7600 OLENTANGY RIVER ROAD
SUITE 100
COLUMBUS, OHIO 43235
(614) 847-2333
FAX (614) 841-0487

30 CHESTERFIELD DRIVE
POST OFFICE BOX 489
CHESTER, NEW JERSEY 07930
Phone (908) 879-1859
FAX (908) 879-0487

www.hwccpa.com

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

Board of Commissioners
Mid Ohio Transit Authority
Mt. Vernon, Ohio

We have audited the financial statements of Mid Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio, as of and for the year ended December 31, 2003, and have issued our report thereon dated June 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

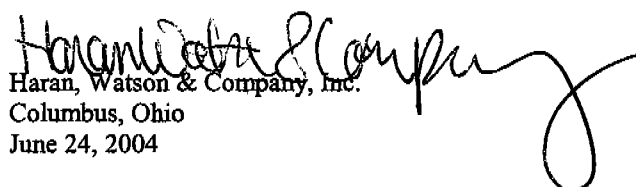
Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information and use of management and the Ohio Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.


Haran, Watson & Company, Inc.
Columbus, Ohio
June 24, 2004



HARAN, WATSON & COMPANY
Certified Public Accountants and Business Consultants

7600 OLENTANGY RIVER ROAD
SUITE 100
COLUMBUS, OHIO 43235
(614) 847-2333
FAX (614) 841-0487

30 CHESTERFIELD DRIVE
POST OFFICE BOX 489
CHESTER, NEW JERSEY 07930
Phone (908) 879-1859
FAX (908) 879-0487

www.hwcocpa.com

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

Board of Commissioners
Mid Ohio Transit Authority
Mt. Vernon, Ohio

Compliance

We have audited the compliance of Mid Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. MOTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of MOTA's management. Our responsibility is to express an opinion on MOTA's compliance based on our audit.

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

In our opinion, MOTA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

Report on Compliance and Control
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter that is opportunity for strengthening operations that we have reported to the Board of Directors in a separate letter dated June 24, 2004.

This report is intended for the information and use of management and the Ohio Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.


Haran, Watson & Company, Inc.
Columbus, Ohio
June 24, 2004

MID OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO

SCHEDULE OF FINDINGS

December 31, 2003

PART I – SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unqualified opinion on the financial statements of the Mid Ohio Transit Authority.
2. There were no reportable conditions disclosed during the audit of the financial statements as reported in the Report on Compliance and of Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Mid Ohio Transit Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of internal control over major federal award programs as reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor’s report on compliance for the major federal award programs for Mid Ohio Transit Authority expresses an unqualified opinion of all major federal programs.
6. The audit disclosed no audit findings.
7. The program tested as a major program was: CFDA 20.509 - Federal Formula Grants for Other than Urbanized Areas
8. The dollar threshold used to distinguish between Type A and Type B program was \$300,000.
9. Mid Ohio Transit Authority qualified as a low-risk auditee.

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

1. None

PART III – FINDINGS FOR MAJOR FEDERAL AWARD PROGRAM INCLUDING AUDIT FINDINGS

1. None



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
AUGUST 31, 2004**