

**MID OHIO TRANSIT AUTHORITY FINANCIAL CONDITION**  
**SINGLE AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**  
**FISCAL YEAR AUDITED UNDER GAGAS: 2004**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Mid Ohio Transit Authority, Knox County, prepared by Haran, Watson & Company, for the audit period January 1, 2004 through December 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 27, 2006

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MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

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### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Mid-Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio, as of and for the year ended December 31, 2004. 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, 2004, 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.

As described in Note 2, MOTA has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*, as amended and interpreted, as of January 1, 2004.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated February 1, 2006 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

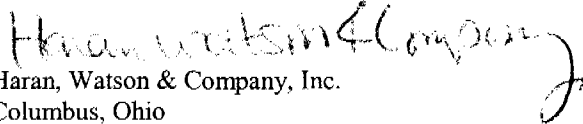
Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of

Independent Auditor's Report

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measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the 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

February 1, 2006



MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2004

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, 2004. 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 \$646,179. These net assets result from the difference between total assets of \$786,468 and total liabilities of \$140,289.
- Current assets of \$258,285 primarily consist of non-restricted Cash and Cash Equivalents of \$187,832 and Accounts Receivable of \$70,453.
- Current Liabilities of \$140,289 primarily consist of Accrued Payroll, Benefits and Withheld Payroll Taxes of \$104,745 and Accounts Payable of \$35,544.

**Basic Financial Statements and Presentation**

**New Accounting Pronouncements**

Effective January 1, 2004, MOTA implemented 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", Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", and Statement No. 38, "Certain Financial Statement Note Disclosures". These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change MOTA's presentation of net assets and change the note disclosure and require the inclusion of management's discussion and analysis.

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

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

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.

MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2004

**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**

Since this is the first year MOTA has prepared financial statements following GASB Statement No. 34, comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 1 provides a summary of MOTA's net assets as of December 31, 2004:

**Table 1**

**Condensed Summary of Net Assets**

<i>Assets:</i>	<u>2004</u>
Current Assets	\$258,285
Capital Assets (net of accumulated depreciation)	<u>528,183</u>
Total Assets	786,468
<i>Liabilities:</i>	
Current Liabilities	\$140,289
<i>Net Assets:</i>	
Invested in capital assets, net of related debt	528,183
Unrestricted net assets	<u>117,996</u>
Total Net Assets	<u>\$646,179</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 less any related debt used to acquire those assets still outstanding. MOTA uses these capital assets to provide public transportation services for Knox County; consequently, these assets are not available to liquidate liabilities or to cover other spending.

**Table 2**

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

<i>Operating Revenues (Expenses):</i>	
Operating Revenues	\$300,609
Operating Expenses (excluding depreciation)	(1,199,183)
Depreciation Expenses	<u>(206,348)</u>
Operating Loss	<u>(1,104,922)</u>
<i>Non-Operating Revenues:</i>	
Federal Grants	\$542,991
State Grants	230,976
State Elderly and Disabled Fare Assistance	118,492
Local Grants	88,113
Investment Income	302
Other Revenues	<u>16,373</u>
Total Non-Operating Revenues	<u>997,247</u>

MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2004

Decrease in Net Assets During Year	(107,675)
Net Assets, Beginning of Year	<u>753,854</u>
Net Assets, End of Year	<u>\$646,179</u>

**Financial Operating Activities**

The most significant operating expenses for MOTA are Salary and Wages, Employee Benefits, Vehicle Expense, Professional Services and Other Materials and Supplies. These expenses account for 80.5% of the total operating expenses. Salary and Wages, which accounts for 52.1% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 17.7% of the total, represents costs associated with the health insurance premiums and workers compensation premiums paid by MOTA covering its employees. Vehicle Expense, which accounts for 5.7% of the total, represents costs associated with materials and supplies used for vehicle operations consisting of diesel fuel, motor oils and tires for vehicles. Professional Services, which accounts for 2.6% of the total, represents costs associated with employee drug and alcohol testing, consulting services and software support. Other Materials and Supplies, which account for 2.4% of the total, represents costs associated with employee uniforms, office supplies and repair costs for vehicle operations.

Funding for the most significant operating expenses indicated above is from Passenger fares including Special Transit Fees and Farebox revenue, as well as from Non-Operating Revenues in the form of Federal Grants, State Grants, State Elderly and Disabled Fare Assistance and Local Grants. These revenues account for 98.7% of the total combined revenues of \$1,297,856. Farebox revenue for 2004 was \$113,201, and accounts for 8.7% of the total revenues. Special Transit fees revenue for 2004 was \$187,408, and accounts for 14.4% of the total revenue. Federal Grants revenue for 2004 was \$542,991, and accounts for 41.9% of the total revenue. State Grants revenue for 2004 was \$230,976, and accounts for 17.8% of the total revenue. State Elderly and Disabled Fare Assistance revenue for 2004 was \$118,492, and accounts for 9.1% of the total revenue. Local Grants revenue for 2004 was \$88,113, and accounts for 6.8% of the total revenue. Investment Income and Other Revenues make up the remaining 1.3% of total revenue.

MOTA monitors its sources of revenues very closely for fluctuations.

**Capital Assets and Debt Administration**

MOTA's investment in capital assets as of December 31, 2004, amounts to \$528,183 (net of accumulated depreciation and related debt). This investment in capital assets includes Vehicles, Office Equipment, Shop Equipment, Computer Hardware/Software and Leasehold Improvements.

Additional information concerning MOTA's capital assets can be found in Note 2 of the notes to the basic financial statements.

As of December 31, 2004, MOTA had no debt obligations.

**Current Known Facts and Conditions**

In the year 2004, MOTA transported a total of 110,305 passengers in Knox County. This total represents General Service transports of 70,329 (Elderly & Disabled of 48,808 and all other trips of 21,521) and Contract Service Trips of 39,976 (Elderly & Disabled of 18,312 and all other trips of 21,664).

**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

MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

Management's Discussion and Analysis  
For the Year Ended December 31, 2004

any of the information in this report or to request for additional information should be addressed to: Pam Hinkens, Administrator, Mid Ohio Transit Authority, 25 Columbus Road, Mount Vernon, Ohio 43050.

MID-OHIO TRANSIT AUTHORITY  
BALANCE SHEET  
DECEMBER 31, 2004

**ASSETS**

**Current Assets:**

Cash & Cash Equivalent	\$	187,832
Accounts Receivable		70,453
<b>Total Current Assets</b>		258,285

**Property, Plant & Equipment**

Vehicles		1,500,443
Office Equipment		20,834
Shop Equipment		235,053
Computer Hardware/Software		162,301
Leasehold Improvements		463,268
		2,381,899
Less: Accumulated Depreciation		(1,853,716)
<b>Total Property, Plant &amp; Equipment</b>		528,183

<b>Total Assets</b>	<b>\$</b>	<b>786,468</b>
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**LIABILITIES AND FUND EQUITY**

**Current Liabilities**

Accounts Payable		35,544
Accrued Expenses		104,745
<b>Total Current Liabilities</b>		140,289

**Net Assets**

Invested in capital assets, net of related debt		528,183
Unrestricted net assets		117,996
<b>Total Net Assets</b>		646,179

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>786,468</b>
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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 NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Operating Revenues</b>	
Farebox Revenue	\$ 113,201
Special Transit Fees	187,408
<b>Total Operating Revenues</b>	300,609
 <b>Operating Expenses</b>	
Salaries & Wages	731,624
Employee Benefits	248,916
Professional Services	37,291
Contract Maintenance	4,943
Vehicle Expense	80,305
Other Material and Supplies	33,414
Utilities	24,824
Insurance	17,049
Other Expense	20,817
Interest Expense	-
Depreciation	206,348
<b>Total Operating Expenses</b>	1,405,531
<b>Operating Loss</b>	(1,104,922)
 <b>Nonoperating Revenues</b>	
Federal Grants	542,991
State Grants	230,976
State Elderly and Disabled Fare Assistance	118,492
Local Grants	88,113
Investment Income	302
Other Revenues	16,373
<b>Total Nonoperating Expenses</b>	997,247
<b>Net Income(loss)</b>	(107,675)
<b>Beginning Net Assets</b>	753,854
<b>Ending Net Assets</b>	\$ 646,179

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, 2004

<b><u>Cash Flow from Operating Activities</u></b>		
Operating Loss		\$ (1,104,922)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		206,348
Effect of Changes in Assets and Liabilities		
Accounts Receivable	51,156	
Accounts Payable	16,566	
Accrued Expenses	16,405	
Unearned Revenue	(68,113)	
Other Liabilities	(200)	
Total Adjustments	<u>15,814</u>	
Net Cash Used in Operating Activities		(882,760)
<b><u>Cash Flow from Noncapital Financing Activities</u></b>		
Operating Grants	980,572	
Other	<u>16,373</u>	
Net Cash Provided by Noncapital Financing Activities		996,945
<b><u>Cash Flow from Capital and Related Financing Activities</u></b>		
Purchase of Fixed Assets		
Leasehold Improvement	<u>(2,393)</u>	
Net Cash Provided by Financing Activities		(2,393)
<b><u>Cash Flow from Investing Activities</u></b>		
Investment Income	<u>302</u>	
Net Cash Provided by Investing Activities		<u>302</u>
Net Increase in Cash		112,094
Cash, Beginning of Year		<u>75,738</u>
Cash, End of Year		<u><u>\$ 187,832</u></u>

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, 2004

**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.

**New Accounting Pronouncements**

Effective January 1, 2004, MOTA implemented the provisions of GASB Statement 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”, Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”, and Statement No. 38, “Certain Financial Statement Note Disclosures”. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change MOTA’s presentation of net assets and require the inclusion of management’s discussion and analysis.

**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.



MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)**

**Recognition of Receivables and Revenue**

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

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

**Property and Equipment**

Property and Equipment are recorded at cost. Current year depreciation expense is \$206,348 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.

MID-OHIO TRANSIT AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

**NOTE 3 – CASH AND INVESTMENTS (cont)**

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 be maintained for public deposits and investments be held in MOTA's name.

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

**Deposits**

The carrying amount of MOTA's deposits was \$187,832 at December 31, 2004 with a \$204,522 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, 2004.

**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).

MID-OHIO TRANSIT AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

**Defined Benefit Pension Plan (cont)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, the member and employer contribution rates were consistent across all three plans (TP, MD and CO). The 2004 member contribution rates were 8.5%.

The 2004 employer contribution rate was 13.55% of covered payroll. MOTA's contributions, representing 100% of employer' contributions for the years ended December 31, 2004, 2003, 2002, and 2001 were \$95,788, \$93,646, \$94,671, and \$98,856, respectively.

All required contributions were made prior to each of those fiscal year ends except for 2004 for which \$14,517 was unpaid as of December 31, 2004 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 2004 rate was 13.55% of covered payroll, and 4% 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, 2003.

**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 2003 was 8%.

MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

**Postemployment Benefits(cont)**

**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.

The OPEB's are advance-funded on an actually determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The portion of MOTA's contributions that were used to fund post-employment benefits was \$36,478. \$10.5 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 unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 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

**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 – CONTIGENCIES**

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2004 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.

MID-OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2004

**NOTE 8 – ACCOUNTS RECEIVABLE**

Receivables at December 31, 2004 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.

**NOTE 8 – RECLASSIFICATIONS**

Due to the fact that MOTA received \$28,113 in local city contributions in 2003 and met the eligibility requirements in 2003, \$28,113 should have been reclassified from the Unearned Income liability to City Reimbursement Earned in 2003, however, this was not reclassified in 2003. Therefore, this amount was reclassified from the Unearned Income liability to City Reimbursement Earned in 2004.

MID-OHIO TRANSIT AUTHORITY  
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/Pass through Grantor/ Program Title	Pass through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. Department of Transportation</u></b>			
Passed-through the Ohio Department of Transportation			
Formula Grants For Other Than Urbanized Areas - Operating	RPT-4042-022-031	20.509	\$ 542,991
Formula Grants For Other Than Urbanized Areas - Capital	RPT-0042-022-032	20.509	-
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 542,991</u></b>

**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.



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

Board of Directors  
Mid Ohio Transit Authority  
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, 2004, and have issued our report thereon dated February 1, 2006, which contains an explanatory paragraph related to the adoption of Governmental Accounting Standards Board Statements Nos. 34, 37, and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

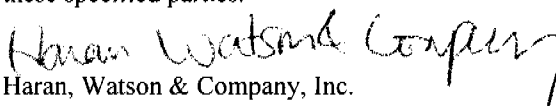
In planning and performing our audit, we considered MOTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of MOTA in a separate letter dated February 1, 2006.

This report is intended solely for the information and use of the Board of Directors, 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  
February 1, 2006



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

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

Compliance

We have audited the compliance of Mid Ohio Transit Authority ("MOTA"), Mt. Vernon, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. MOTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations contracts and grants applicable to 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, 2004.

Internal Control Over Compliance

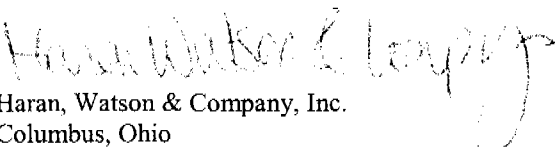
The management of MOTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the MOTA's internal control over compliance 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter that is opportunity for strengthening operations that we have reported to the Board of Directors in a separate letter dated February 1, 2006.

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

  
Haran, Watson & Company, Inc.  
Columbus, Ohio  
February 1, 2006

MID OHIO TRANSIT AUTHORITY  
MT. VERNON, OHIO

SCHEDULE OF FINDINGS

December 31, 2004

**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



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Betty Montgomery**

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**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 8, 2006**