

Mid-Ohio Transit Authority

Knox County

Single Audit

January 1, 2007 Through December 31, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

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Mary Taylor, CPA
Auditor of State

Board of Directors
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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mid-Ohio Transit Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 2, 2009

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MID-OHIO TRANSIT AUTHORITY
KNOX COUNTY

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Member American Institute of Certified Public Accountants
Accountants

Ohio Society of Certified Public

Board of Directors
Mid-Ohio Transit Authority
25 Columbus Road
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Independent Auditor's Report

We have audited the accompanying financial statements of financial position of the business type activities of the Mid-Ohio Transit Authority, Knox County, as of and for the year ended December 31, 2007 which collectively comprise the Authority's basic financial statements 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 *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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Mid-Ohio Transit Authority, as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008, on our consideration of the Mid-Ohio Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 to 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

September 26, 2008

MID-OHIO TRANSIT AUTHORITY MT. VERNON, OHIO

Management's Discussion and Analysis
For the Year Ended December 31, 2007

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, 2007. 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 \$569,385. These net assets result from the difference between total assets of \$774,785 and total liabilities of \$205,400.
- Current assets of \$432,769 primarily consist of non-restricted Cash and Cash Equivalents of \$284,012, Prepaid Expenses of \$2,098 and Accounts Receivable of \$146,659.
- Current Liabilities of \$205,400 primarily consist of Accrued Payroll, Benefits, and Withheld Payroll Taxes of \$180,145 and Accounts Payable of \$25,255.

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.

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

Management's Discussion and Analysis
For the Year Ended December 31, 2007

Financial Analysis of MOTA

Table 1 provides a summary of MOTA's net assets for 2007 and 2006:

Table 1

Condensed Summary of Net Assets

<i>Assets:</i>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 432,769	\$ 416,840
Capital Assets (net of accumulated depreciation)	<u>342,016</u>	<u>266,604</u>
Total Assets	<u>774,785</u>	<u>683,444</u>
 <i>Liabilities:</i>		
Current Liabilities	\$ 205,400	\$ 183,140
 <i>Net Assets:</i>		
Invested in capital assets	342,016	266,604
Unrestricted net assets	<u>227,369</u>	<u>233,700</u>
Total net Assets	<u>\$ 569,385</u>	<u>\$ 500,304</u>

The largest portion of MOTA's net assets reflect investment in capital assets consisting of vehicles, office equipment, shop equipment, computer hardware/software and leasehold improvements. MOTA uses these capital assets to provide public transportation services for Knox County; consequently, these assets are not available to liquidate liabilities or to cover other spending.

Table 2

Condensed Summary of Revenues, Expenses and Changes in Net Assets

<i>Operating Revenues (Expenses):</i>		
Operating Revenues	\$ 370,650	\$ 389,140
Operating Expenses (excluding depreciation)	(1,338,303)	(1,283,025)
Depreciation Expense	<u>(122,258)</u>	<u>(140,121)</u>
Operating Loss	<u>(1,089,911)</u>	<u>(1,034,006)</u>
 <i>Non-Operating Revenues:</i>		
Federal Grants	\$ 754,073	\$ 580,765
State Grants	224,467	145,341
State Elderly and Disabled Fare Assistance	112,905	170,023
Local Grants	55,000	50,000
Investment Income	8,733	6,597
Other Revenues	<u>3,814</u>	<u>4,677</u>
Total Non-Operating Revenues	<u>1,158,992</u>	<u>957,403</u>
 Decrease / Increase in Net Assets During Year	 69,081	 (76,603)
Net Assets, Beginning of Year	<u>500,304</u>	<u>576,907</u>
Net Assets, End of Year	<u>\$ 569,385</u>	<u>\$ 500,304</u>

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

Management's Discussion and Analysis
For the Year Ended December 31, 2007

Financial Operating Activities

The most significant operating expenses for MOTA are Salary and Wages, Employee Benefits, Depreciation expense, Vehicle Expense and Other Materials and Supplies. These expenses account for 93.6% of the total operating expenses. Salary and Wages, which accounts for 51.3% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 20.6% of the total, represents costs associated with the health insurance premiums and workers compensation premiums paid by MOTA covering its employees. Depreciation expense, which accounts for 8.7% of the total, represents current year depreciation less any disposals. Vehicle Expense, which accounts for 11.2% of the total, represents costs associated with materials and supplies used for vehicle operations consisting of diesel fuel, motor oils and tires for vehicles. Other Materials and Supplies, which accounts for 2.1% of the total, represents costs associated with materials and supplies needed for vehicle maintenance as well as computer and office supplies.

Funding for the most significant operating expenses indicated above is from Passenger fares including Special Transit Fees and Farebox revenue, as well as Non-Operating Revenues in the form of Federal Grants, State Grants, State Elderly and Disabled Fare Assistance and Local Grants. These revenues account for 99.2% of the total combined revenues of \$1,529,642. Farebox revenue for 2007 was \$143,699, and accounts for 9.4% of the total revenues. Special Transit fees revenue for 2007 was \$226,951, and accounts for 14.8% of the total revenue. Federal Grants revenue for 2007 was \$754,073, and accounts for 49.3% of the total revenue. State Grants revenue for 2007 was \$224,467, and accounts for 14.7% of the total revenue. State Elderly and Disabled Fare Assistance revenue for 2007 was \$112,905, and accounts for 7.4% of the total revenue. Local Grants revenue for 2007 was \$55,000, and accounts for 3.6% of the total revenue. Investment Income and Other Revenues make up the remaining 0.8% of total revenue.

MOTA monitors its sources of revenues closely for fluctuations.

Capital Assets and Debt Administration

MOTA's investment in capital assets as of December 31, 2007, amounts to \$342,016 (net of accumulated depreciation). This investment in capital assets includes Vehicles, Office Equipment, Shop Equipment, Computer Hardwar/Software and Leasehold Improvements.

Additional information concerning MOTA's capital assets can be found in Note 2 of the Notes to the Basic Financial Statements.

As of December 31, 2007, MOTA had no debt obligations.

Contacting MOTA's Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of MOTA's finances and to show MOTA's accountability for the money it receives. Questions concerning any of the information in this report or to request additional information should be addressed to: Pam Hinkens, Administrator, Mid Ohio Transit Authority, 25 Columbus Road, Mount Vernon, Ohio 43050.

**MID-OHIO TRANSIT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 284,012
Accounts Receivable - Net	146,659
Prepaid Expenses	2,098
Total Current Assets	432,769

Property, Plant & Equipment

Vehicles	1,084,010
Office Equipment	21,093
Shop Equipment	237,300
Computer Hardware/Software	177,127
Leasehold Improvements	496,870
	2,016,400
Less: Accumulated Depreciation	1,674,384
Total Property, Plant & Equipment	342,016

Total Assets

\$ 774,785

LIABILITES AND FUND EQUITY

Current Liabilites

Accounts Payable	25,255
Accrued Expenses	180,145
Total Current Liabilities	205,400

Net Assets

Invested in capital assets, net of related debt	342,016
Unrestricted net assets	227,369
Total Net Assets	569,385

Total Liabilites and Net Assets

\$ 774,785

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, 2007**

Operating Revenues	
Farebox Revenue	\$ 143,699
Special Transit Fees	226,951
Total Operating Revenues	370,650
 Opererating Expenses	
Salaries & Wages	749,078
Employee Benefits	300,781
Professional Services	20,712
Contract Maintenance	17,968
Vehicle Expense	163,314
Other Material and Supplies	31,343
Utilities	27,350
Insurance	15,344
Other Expense	12,413
Depreciation	122,258
Total Operating Expenses	1,460,561
Operating Loss	(1,089,911)
 Nonoperating Revenues	
Federal Grants	754,073
State Grants	224,467
State Elderly and Disabled Fare Assistance	112,905
Local Grants	55,000
Investment Income	8,733
Other Revenues	3,814
Total Nonoperating Revenues	1,158,992
Net Income	69,081
Beginning Net Assets	500,304
Ending Net Assets	\$ 569,385

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, 2007**

Cash Flow from Operating Activities

Cash received from Customers		366,968
Cash Payments for Employee Services and Benefits		(1,040,401)
Cash Payments to Suppliers for Goods and Services		<u>(267,886)</u>
Net Cash Used in Operating Activities		(941,319)

Cash Flow from Noncapital Financing Activities

Operating Grants	988,191	
Other	<u>3,814</u>	
Net Cash Provided by Noncapital Financing Activities		992,005

Cash Flow from Capital and Related Financing Activities

Capital Grants	158,254	
Purchase of Fixed Assets		
Vehicles	(153,456)	
Computer	(14,826)	
Leasehold Improvement	<u>(29,388)</u>	
Net Cash Provided by Financing Activities		(39,416)

Cash Flow from Investing Activities

Investment Income	<u>8,733</u>	
Net Cash Provided by Investing Activities		<u>8,733</u>
Net Increases in Cash		20,003
Cash, Beginning of Year		<u>264,009</u>
Cash, End of Year		<u><u>\$ 284,012</u></u>

**Reconciliation of Operating Income to Net Cash Provided
by Operating Activities:**

Operating Loss		\$ (1,089,911)
Adjustments		
Depreciation		\$ 122,258
(Increase)/Decrease in Assets:		
Accounts Receivable	(3,682)	
Prepaid Expenses	7,756	
Increase/(Decrease) in Liabilities:		
Accounts Payable	12,802	
Accrued Expenses	<u>9,458</u>	
Total Adjustments		<u>26,334</u>
Net Cash Provided by Operating Activities		<u><u>\$ (941,319)</u></u>

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

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

Description of the Reporting Entity

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, MOTA follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. MOTA also has the option of following subsequent private-sector guidance, subject to this same limitation. MOTA has elected not to follow subsequent private-sector guidance as it relates to its operations.

MOTA complies with the provisions of GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.”

MOTA will continue applying all applicable pronouncements issued by the GASB.

Budgetary Accounting and Control

MOTA’s annual budget is prepared on the accrual basis of accounting as permitted by law. MOTA maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Directors.

Cash and Cash Equivalents

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

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

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. Grant and assistance revenues from government-mandated and voluntary non exchange transactions are recorded as a receivable and nonoperating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred.

Property and Equipment

Property and Equipment are recorded at cost. Current year depreciation expense is \$122,258 and recorded using the straight-line method over the estimated useful lives of the assets as follows:

Improvements	15 years
Equipment and Vehicles	5 -7 years
Computers/Software	5 years

When assets acquired with capital grants are disposed of, MOTa is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

Fund Accounting

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

Compensated Absences

MOTA accrues vacation 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.

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

NOTE 3 – CASH AND INVESTMENTS

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

Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security be maintained for public deposits and investments be held in MOTA's name.

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

Deposits

At December 31, 2007, carrying amount of MOTA's deposits was \$284,042 at December 31, 2007. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, \$189,821 of MOTA's bank balance of \$289,821 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial risk is the risk that, in the event of bank failure, MOTA's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of MOTA.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of public monies on deposit at the institution. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

NOTE 4 – DEBT OBLIGATION

MOTA has available line-of-credit with a local bank to be used when subsidy payments are not received timely. There was no balance outstanding at December 31, 2007.

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 is as follows.

<u>Description</u>	<u>Balance at</u>	<u>Capital Assets</u>		<u>Balance at</u>
	<u>1/1/2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2007</u>
Vehicles	\$ 930,555	\$ 153,456	\$ -	\$ 1,084,011
Office Equipment	27,554	-	-	27,554
Shop Equipment	235,053	-	-	235,053
Computer Hardware/Software	162,301	14,826	-	177,127
Leasehold Improvements	463,267	29,388	-	492,655
Total Capital Assets	<u>1,818,730</u>	<u>197,670</u>	<u>-</u>	<u>2,016,400</u>
Less Accumulated Depreciation				
Vehicles	(852,290)	(65,257)	-	(917,547)
Office Equipment	(22,038)	(2,158)	-	(24,196)
Shop Equipment	(215,480)	(14,115)	-	(229,595)
Computer Hardware/Software	(154,922)	(7,884)	-	(162,806)
Leasehold Improvements	<u>(307,396)</u>	<u>(32,844)</u>	<u>-</u>	<u>(340,240)</u>
Total Accumulated Depreciation	<u>(1,552,126)</u>	<u>(122,258)</u>	<u>-</u>	<u>(1,674,384)</u>
Total Capital Assets, Net	<u>\$ 266,604</u>	<u>\$ 75,412</u>	<u>\$ -</u>	<u>\$ 342,016</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

Defined Benefit Pension Plan

The Ohio Public Employees Retirements System (OPERS) has provided the following information to MOTA in order to assist them in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (Statement No. 27). OPERS administers three separate pension plans as described below:

- 1) The Traditional Pension Plan – a cost-sharing, multiple employer defined benefit pension plan.
- 2) The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employers contributions vest over five years at 20% per year).

Under the Member – Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

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

Defined Benefit Pension Plan (Continued)

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

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

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC).

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

The ORC provides statutory authority for members and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2007 member contribution rates were 9.5% for members in state, local classifications. Public safety members contributed 9.75%. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2007 employer contribution rate for state employers was 13.77% of covered payroll. For local government employer units, the rate was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%.

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

All required contributions were made for each of those fiscal year ends. For 2007, \$21,236 was unpaid as of December 31 and is recorded as a liability.

Postemployment Benefits

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

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage 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.

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

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

Postemployment Benefits (Continued)

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 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. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units, contributed at 13.85% of covered payroll and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated to healthcare was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

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

Actuarial Review: The assumptions and calculations below were based on OPERS' latest Actuarial Review performed as of December 31, 2006.

Funding Method: An individual entry age 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 unfunded 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 annually, not to exceed a 12% corridor.

Investment Return: The investment assumption rate for 2006 was 6.50%.

Active Employee Total Payroll: An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

**MID-OHIO TRANSIT AUTHORITY
MT. VERNON, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2007**

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

Postemployment Benefits (Continued)

OPEB is advance-funded on an actually determined basis. The following disclosures are required:

- 1) The traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130.
- 2) The portion of MOTA's contributions that were used to fund post-employment benefits was \$41,590.
- 3) The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.
- 4) Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$30.7 billion and \$18.7 billion, respectively

There are no post-employment benefits provided by MOTA other than those provided through OPERS.

NOTE 7 – RISK MANAGEMENT

MOTA is exposed to various risks of loss related to torts: theft of, damaged to, and destruction of assets flood and earthquake; errors and omission; employment related matters; inquires to employees; and employee theft and fraud. MOTA maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. MOTA continues to carry commercial insurance for all other risks of loss, including workers' compensation. There was no significant reduction in insurance coverage and no settlements exceeded insurance coverage during the past three years.

NOTE 8 – CONTINGENCIES

In the normal course of operations, MOTA may be subject to litigation and claims. At December 31, 2006 MOTA was involved in no such matters. MOTA receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if such were to occur, would have a material effect on MOTA's programs and activities.

NOTE 9 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2007 consisted of accounts (billings) and intergovernmental grants. An allowance for bad debts of \$14,664 was established in 2006 for an Other Receivable from the State of Ohio and this amount has not changed for 2007. All other receivables are considered collectible in full.

**MID-OHIO TRANSIT AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Program Title	Number	Number	Expenditures
<u>U.S. Department of Transportation</u>			
Passed-through the Ohio Department of Transportation			
Formulas Grants For Other Than Urbanized Areas - Operating	RPT-4042-022-031	20.509	\$ 597,302
Formulas Grants For Other Than Urbanized Areas - Capital	RPT-0042-022-032	20.509	156,771
Total Federal Awards Expenditures			\$ 754,073

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.

BALESTRA, HARR & SCHERER CPAs, INC.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the accompanying financial statements of the business-type activities of Mid-Ohio Transit Authority (MOTA), Knox County, as of and for the year ended December 31, 2007, and have issued our report thereon dated September 26, 2008. 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 MOTA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MOTA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MOTA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be 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.

We noted certain matters that we reported to MOTA's management in a separate letter dated September 26, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MOTA's basic 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 statement 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 did note certain noncompliance or other matters that we reported to MOTA's management in a separate letter dated September 26, 2008

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



Balestra, Harr & Scherer, CPAs, Inc.
September 26, 2008

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the Mid-Ohio Transit Authority, (MOTA), Knox County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. MOTA's major federal program is 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 its major federal program 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 of 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 its major federal program for the year ended December 31, 2007.

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 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MOTA's internal control over compliance.

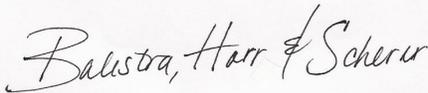
Internal Control Over Compliance (Continued)

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by MOTA's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Balestra, Harr & Scherer, CPAs, Inc.
September 26, 2008

Mid-Ohio Transit Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended December 31, 2007

SUMMARY OF AUDITOR'S RESULTS

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

Mid-Ohio Transit Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended December 31, 2007

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

None Noted

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

MID-OHIO TRANSIT AUTHORITY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (B)
FOR THE YEAR ENDED DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Errors made in the performance of recording accounting entries during the course of the year went undetected my MOTA.	Yes	



Mary Taylor, CPA
Auditor of State

MID-OHIO TRANSIT AUTHORITY

KNOX COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2009**