

Mid-Ohio Transit Authority  
Knox County, Ohio

Single Audit

January 1, 2009, through December 31, 2009

Fiscal Years Audited Under GAGAS: 2009



**Balestra, Harr & Scherer, CPAs, Inc.**

---

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639  
800 Gallia Street, Suite 38, Portsmouth, Ohio 45662 Phone: 740.876.9121 Fax: 800.210.2573





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Mid-Ohio Transit Authority, Knox County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 16, 2012

**This page intentionally left blank.**

Mid-Ohio Transit Authority  
Knox County  
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Financial Statements:	
Statement of Net Assets.....	6
Statement of Revenues, Expenses and Changes in Net Assets.....	7
Statement of Cash Flows.....	8
Notes to the Financial Statements.....	9
Schedule of Federal Awards Expenditure.....	16
Notes to the Schedule of Federal Awards Expenditures.....	16
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	19
Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505.....	21
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	28



### Independent Auditor's Report

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

We have audited the accompanying financial statements of the business type activities of the Mid-Ohio Transit Authority (the Authority), Knox County, as of and for the year ended December 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

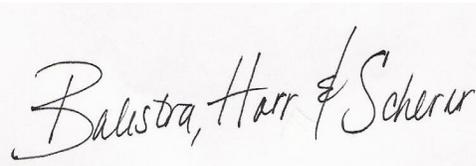
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Mid-Ohio Transit Authority, Knox County, Ohio, as of December 31, 2009, and the respective changes in financial position and cash flows thereof, 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 April 27, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's and Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners  
Mid-Ohio Transit Authority  
Knox County  
Independent Auditor's Report

We conducted our audit to opine on the financial statements that collectively comprise the Authority's 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 black ink that reads "Balestra, Harr & Scherer". The signature is written in a cursive, flowing style.

Balestra, Harr & Scherer, CPAs, Inc.  
April 27, 2011

# MID-OHIO TRANSIT AUTHORITY KNOX COUNTY

Management's Discussion and Analysis  
For the Year Ended December 31, 2009

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, 2009. 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 \$340,673. These net assets result from the difference between total assets of \$590,910 and total liabilities of \$250,237.
- Current assets of \$257,487 primarily consist of non-restricted Cash and Cash Equivalents of \$166,367 and Accounts Receivable of \$91,120.
- Current Liabilities of \$250,237 primarily consist of Accrued Payroll, Benefits, and Withheld Payroll Taxes of \$227,309 and Accounts Payable of \$22,928.

## **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  
KNOX COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2009

**Financial Analysis of MOTA**

Table 1 provides a summary of MOTA's net assets for 2009 and 2008:

**Table 1**

**Condensed Summary of Net Assets**

Current Assets	\$ 257,487	\$ 310,792
Capital Assets (net of accumulated depreciation)	<u>333,422</u>	<u>377,239</u>
Total Assets	590,909	688,031
<i>Liabilities:</i>		
Current Liabilities	\$ 250,237	\$ 213,363
<i>Net Assets:</i>		
Invested in capital assets	333,422	377,239
Unrestricted net assets	<u>7,250</u>	<u>97,429</u>
Total net Assets	<u><u>\$ 340,672</u></u>	<u><u>\$ 474,668</u></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	\$ 281,679	\$ 311,224
Operating Expenses (excluding depreciation)	(1,472,594)	(1,446,254)
Depreciation Expense	<u>(128,567)</u>	<u>(131,269)</u>
Operating Loss	<u>(1,319,482)</u>	<u>(1,266,299)</u>
<i>Non-Operating Revenues:</i>		
Federal Grants	\$ 780,589	\$ 763,664
State Grants	205,531	229,467
State Elderly and Disabled Fare Assistance	120,188	106,040
Local Grants	55,000	55,000
Investment Income	18,814	10,135
Other Revenues	<u>5,362</u>	<u>7,276</u>
Total Non-Operating Revenues	<u>1,185,484</u>	<u>1,171,582</u>
Decrease / Increase in Net Assets During Year	(133,998)	(94,717)
Net Assets, Beginning of Year	<u>474,668</u>	<u>569,385</u>
Net Assets, End of Year	<u><u>\$ 340,670</u></u>	<u><u>\$ 474,668</u></u>

# MID-OHIO TRANSIT AUTHORITY KNOX COUNTY

Management's Discussion and Analysis  
For the Year Ended December 31, 2009

## **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 89.1% of the total operating expenses. Salary and Wages, which accounts for 48.0% of the total, represents costs associated with salaried and hourly employees. Employee Benefits, which account for 21.4% 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 8.0% of the total, represents current year depreciation less any disposals. Vehicle Expense, which accounts for 8.7% of the total, represents costs associated with materials and supplies used for vehicle operations consisting of diesel fuel, motor oils and tires for vehicles. Other Materials and Supplies, which accounts for 3.0% 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 98.3% of the total combined revenues of \$1,467,163. Farebox revenue for 2009 was \$139,492, and accounts for 9.5% of the total revenues. Special Transit fees revenue for 2009 was \$142,187, and accounts for 9.7% of the total revenue. Federal Grants revenue for 2009 was \$780,589, and accounts for 53.2% of the total revenue. State Grants revenue for 2009 was \$205,531, and accounts for 14.0% of the total revenue. State Elderly and Disabled Fare Assistance revenue for 2009 was \$120,188, and accounts for 8.2% of the total revenue. Local Grants revenue for 2009 was \$55,000, and accounts for 3.7% of the total revenue. Investment Income and Other Revenues make up the remaining 1.7% 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, 2009, amounts to \$333,422 (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 5 of the Notes to the Basic Financial Statements.

As of December 31, 2009, MOTA had no debt obligations.

## **Contacting MOTA's Financial Management**

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

**ASSETS**

<b>Current Assets:</b>	
Cash & Cash Equivalents	\$ 166,365
Accounts Receivable - Net	91,120
<b>Total Current Assets</b>	<b>257,485</b>
 <b>Property, Plant &amp; Equipment</b>	
Vehicles	886,604
Office Equipment	27,554
Shop Equipment	235,053
Computer Hardware/Software	177,127
Leasehold Improvements	498,483
	1,824,821
Less: Accumulated Depreciation	1,491,399
<b>Total Property, Plant &amp; Equipment</b>	<b>333,422</b>
<b>Total Assets</b>	<b>\$ 590,907</b>

**LIABILITES AND FUND EQUITY**

<b>Current Liabilites</b>	
Accounts Payable	22,928
Accrued Expenses	227,309
<b>Total Current Liabilities</b>	<b>250,237</b>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	333,422
Unrestricted net assets	7,248
<b>Total Net Assets</b>	<b>340,670</b>
<b>Total Liabilites and Net Assets</b>	<b>\$ 590,907</b>

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Operating Revenues</b>	
Farebox Revenue	\$ 139,492
Special Transit Fees	142,187
<b>Total Operating Revenues</b>	281,679
 <b>Opererating Expenses</b>	
Salaries & Wages	768,445
Employee Benefits	342,060
Professional Services	113,260
Contract Maintenance	6,964
Vehicle Expense	139,664
Other Material and Supplies	47,723
Utilities	26,263
Insurance	15,946
Other Expense	12,269
Depreciation	128,567
<b>Total Operating Expenses</b>	1,601,161
<b>Operating Loss</b>	(1,319,482)
 <b>Nonoperating Revenues</b>	
Federal Grants	780,589
State Grants	205,531
State Elderly and Disabled Fare Assistance	120,188
Local Grants	55,000
Investment Income	18,814
Other Revenues	5,362
<b>Total Nonoperating Revenues</b>	1,185,484
<b>Net Income</b>	(133,998)
<b>Beginning Net Assets</b>	474,668
<b>Ending Net Assets</b>	\$ 340,670

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Cash Flow from Operating Activities**

Cash received from Customers		340,766
Cash Payments for Employee Services and Benefits		(1,084,113)
Cash Payments to Suppliers for Goods and Services		(351,607)
		(1,094,954)
Net Cash Used in Operating Activities		(1,094,954)

**Cash Flow from Noncapital Financing Activities**

Operating Grants	1,087,450	
Other	5,362	
	1,092,812	
Net Cash Provided by Noncapital Financing Activities		1,092,812

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

Capital Grants	73,858	
Purchase of Fixed Assets		
Vehicles/Leasehold Improvements	(84,750)	
	(10,892)	
Net Cash Provided by Financing Activities		(10,892)

**Cash Flow from Investing Activities**

Investment Income	18,814	
	18,814	
Net Cash Provided by Investing Activities		18,814

Net Increases in Cash		5,780
Cash, Beginning of Year		160,585
Cash, End of Year		\$ 166,365

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

Operating Loss		\$ (1,319,482)
Adjustments		
Depreciation		\$ 128,567
(Increase)/Decrease in Assets:		
Accounts Receivable	59,087	
Increase/(Decrease) in Liabilities:		
Accounts Payable	10,482	
Accrued Expenses	26,392	
Total Adjustments	95,961	
Net Cash Provided by Operating Activities		\$ (1,094,954)

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2009**

**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  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2009**

**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 non exchange transactions. Grants 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.

The Federal Transit Administration (FTA) and the Ohio Department of Transportation (ODOT) provide financial assistance and make allocations directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as revenue when the expenditure has been made and the revenue is available. Capital grant funds received in advance of project costs being incurred are deferred.

When assets acquired with capital grants funds are disposed of, the Authority 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.

**Property and Equipment**

The Authority defines capital assets as assets with an initial cost of at least \$1,000 and an estimated useful life in excess of one year. Property and Equipment are recorded at cost. Current year depreciation expense is \$128,567 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, MOTTA 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.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2009**

**Compensated Absences**

MOTA accrues vacation and sick pay 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. Vacation and compensatory benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable the Authority will compensate employees for the benefits through time off or some other means. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments.

**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.

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, 2009, carrying amount of MOTA's deposits was \$166,365. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, all of MOTA's bank balance of \$175,137 was covered by Federal Deposit Insurance Corporation and therefore was not subject to custodial credit risk.

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.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2009**

**Deposits (Continued)**

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, 2009.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2009 is as follows.

<u>Description</u>	<u>Balance at</u>	<u>Capital Assets</u>		<u>Balance at</u>
	<u>1/1/2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2009</u>
Vehicles	\$ 1,030,236	\$ 83,664	\$ (227,296)	\$ 886,604
Office Equipment	27,554			27,554
Shop Equipment	235,053			235,053
Computer Hardware/Software	177,127			177,127
Leasehold Improvements	497,397	1,086		498,483
Total Capital Assets	<u>1,967,367</u>	<u>84,750</u>	<u>(227,296)</u>	<u>1,824,821</u>
Less Accumulated Depreciation				
Vehicles	(787,900)	(91,098)	227,296	(651,702)
Office Equipment	(25,540)	(1,344)		(26,884)
Shop Equipment	(235,055)	-		(235,055)
Computer Hardware/Software	(168,233)	(2,965)		(171,198)
Leasehold Improvements	(373,400)	(33,160)		(406,560)
Total Accumulated Depreciation	<u>(1,590,128)</u>	<u>(128,567)</u>	<u>227,296</u>	<u>(1,491,399)</u>
Total Capital Assets, Net	<u>\$ 377,239</u>	<u>\$ (43,817)</u>	<u>\$ -</u>	<u>\$ 333,422</u>

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2009**

**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.
- 3) The Combined Plan – a 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 Pension 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 in Chapter 145 of the Ohio Revised Code.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2009 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The 2009 employer contribution rate for state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2009 was 17.63%.

MOTA's contributions, representing 100% of employer's contributions for the years ended December 31, 2009, 2008, 2007, were \$105,148, \$104,800, and \$104,754, respectively.

All required contributions were made for each of those fiscal year ends. For 2009, \$15,794 was unpaid as of December 31 and is recorded as a liability.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2009**

**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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment 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 benefit 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 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

MOTA's contributions for post employment health care, representing 4.2% of employer's contributions for the year ended December 31, 2009 was \$4,439.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended December 31, 2009**

**Postemployment Benefits (Continued)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**NOTE 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, 2009 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  
KNOX COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENITURES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**U.S. Department of Transportation**

Passed-through the Ohio Department of Transportation

Formulas Grants For Other Than Urbanized Areas - Operating	RPT-4042-029-091	20.509	\$ 706,235
Formulas Grants For Other Than Urbanized Areas - Capital	RPT-0042-027-082	20.509	65,652
Formulas Grants For Other Than Urbanized Areas - ARRA	RPTS-0042-001-093	20.509	<u>80,359</u>
<b>Total Federal Awards Expenditures</b>			<u><u>\$ 852,246</u></u>

**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.



**Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by  
*Government Auditing Standards***

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

We have audited the financial statements of the business-type activities of Mid-Ohio Transit Authority, Knox County, Ohio (the Authority) as of and for the year ended December 31, 2009, and have issued our report thereon dated April 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

**Compliance and Other Matters**

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Mid-Ohio Transit Authority

Knox County

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

Page 2

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



Balestra, Harr & Scherer, CPAs, Inc.

April 27, 2011



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

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

**Compliance**

We have audited the compliance of Mid-Ohio Transit Authority (the Authority), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Authority's major federal programs for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Authority's major federal programs. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Mid-Ohio Transit Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2009-002, 2009-003, 2009-004 and 2009-005.

**Internal Control Over Compliance**

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

Mid - Ohio Transit Authority  
Knox County

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

Page 2

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
April 27, 2011

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

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

**2009-001**

**Material Weakness**

The Board is responsible for the overall financial health of the entity. The Board should document its review and approval of financial reports and policies. Action of the Board shall be by resolution or motion. Resolutions shall be in written form. Resolutions adopted shall be identified by an appropriate reference to the number and title of such resolution. Each resolution adopted by the Board will be numbered, signed by the member of the Board presiding at the meeting, attested by the Secretary-Treasurer. Resolutions shall be annually numbered consecutively. The minutes did not clearly articulate the title, substance, and form of the financial statements that were provided for review, discussion, and approval. Additionally, formal resolutions were not prepared to document the Board’s review and approval. The Board was not consistent in the issuance of resolutions.

The Board should implement procedure to require formal, standard financial statements and approval of policies. The Board should consistently issue resolutions.

**Client’s response:**

There is a separate “Resolution Book” in addition to the “Minute Book” prepared by the Administrator for audit purposes for Calendar Year 2010. The Resolutions prepared by Ms. Patterson have been formally signed and approved by the Board Chairperson. The Authority Board is in compliance, and Ms. Patterson will be scheduling on-site Board training at the Authority through ODOT upon their recommendation. The Board does have a member with Board experience – County Commissioner Teresa Bemiller, Board Vice-Chairperson.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2009-002
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

**Noncompliance Citation – Reporting**

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The Authority did not submit the required reports within this time frame for fiscal year 2009.

The Authority should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the Authority should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2009-002 (Continued)
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

**Client’s response:**

This occurred due to a Procedural Audit by the Ohio Department of Transportation (ODOT). The final ODOT audit encompassing the Calendar Years 2005 through 2009 was not released until April 6, 2011. I do not foresee this happening again here at MOTA.

<b>Finding Number</b>	2009-003
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

**Noncompliance Citation – Allowable Costs**

Circular A-133 states that funds may be used to provide training, technical assistance, research and other related support services for providers of rural public transit and related services (49 USC 5311(b)(2)). Planning activities are unallowable with the exception of funds by States for local transportation services and intercity bus transportation (49 USC 5311(c)(1), (e), and (f)).

Compensation

Upon separation of employment the administrator was overpaid by 40 hours of vacation which was charged to the RTP. This overpayment was \$964 of unallowable costs that were charged to the RTP operating invoices. The Authority should implement internal controls to ensure that leave balances are accurately accounted for and to periodical reconcile the balances.

Insurance Proceeds

The Authority received insurance proceeds from a vehicle accident claim in the amount of \$1,289. The vehicle’s repairs were performed by an Authority mechanic. The insurance proceeds were not reported as a reduction of repair expense. The Authority should implement internal controls to ensure that revenues are reported correctly and in compliance with all applicable regulations.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2009-003 (Continued)
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

Penalty and Other Expenses

The Authority incurred penalties for late filing of the following:

- Fuel tax refund reports to Ohio Department of Taxation,
- Payroll reports to IRS and OPERS and,
- Reports to Ohio Bureau of Underground Storage Tank Regulations.

The Authority reported capital grant expenses such as equipment, vehicle signage and radios as operating grant expenses as well. The Authority received checks for transit passes and transit fares. There were checks returned for non-sufficient-funds (NSF). The Authority reported all these expenses on their RTP as eligible expenses. These expenses totaled \$17,637. The Authority should implement internal controls to ensure that expenses are reported correctly and in compliance with all applicable regulations. Also, the Authority should implement internal controls to ensure the required reports are filed timely.

**Client’s response:**

Ms. Hiary Patterson, Administrator and Mr. Gene Cockrell, Operations Manager, process the payroll together every pay period. Ms. Patterson also cross-trained Ms. Erin Robbins, Fiscal Clerk, and Mr. Don Cutter, Back-up Fiscal Clerk on the payroll processing functions ensuring there is not just one person processing payroll. The second set of eyes will be knowledgeable in approving, documenting, and understanding the payroll process. In March 2011 MOTA implemented a rotation schedule of Mr. Cockrell, Ms. Robins and Mr. Cutter to ensure that the backup position is kept fresh on the processing of payroll procedures and removing leave balances from salaried positions and non-salary staff. Ms. Patterson is trained and proficient in the tracking of salary leave balances in the payroll system. Ms. Patterson will ensure that internal controls are documented for payroll processing, and that there are periodic reconciliations of the payroll system to the labor tracking system incorporated in a payroll processing policy. Since Ms. Patterson started her position at MOTA she has implemented a Salary Sign In Sheet for salaried staff. The completed Salary Sign In Sheet is placed in the corresponding Bi-weekly Pay Period file as back up to the hours worked. If vacation and sick leave are used by salaried staff then it will be documented on the Salary Sign In Sheet, and approved by the other Manager or a Board Member. When payroll is processed the Leave balances of the manager who used sick or vacation leave will be deducted from the correct leave balance. Ms. Patterson has been informed of the guidelines by ODOT regarding Accident Insurance checks received by MOTA after the work is done on site by the MOTA Mechanic. Ms. Patterson just received a check similar to the audit finding and placed the coding as a reduction to the vehicle parts expense per Mr. Michael Miller, ODOT Auditor. Ms. Patterson is the final approval for all coding, and will ensure that the Fiscal Clerks who complete the data entry into ACCPAC are trained on the correct coding per ODOT auditors. While gathering documentation for this audit, Ms. Patterson discovered that these penalties and interest fees had been ongoing since the former Administrator began her position at MOTA in February 2005.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2009-003 (Continued)
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

**Client’s response (Continued):**

Subsequently when Mr. MacNaughton completed his year end adjusting entries in January 2006 for MOTA he would have been fully aware that the former Administrator was not completing her work in a timely manner. He would have been the one that advised the former Administrator or would have himself completed the adjusting year end entries to place the unallowable penalties and interest expenses in the miscellaneous expense account... Thus resulting in them being placed on the Quarterly Operating Invoices for reimbursement. Ms. Paterson is fully aware if there is something out of the ordinary and she isn’t sure... she contacts ODOT for advice on how to code an expense. Mr. MacNaughton had his contacts as ODOT or he could have advised the Board members regarding the former Administrator’s performance issues. The Board had no knowledge that this was occurring, and they were paying both an Administrator and a Financial Consultant to ensure that these reports/payments were made in a timely manner. Ms. Patterson has a calendar marked when tax reports/payments are due. She will document internal controls on tax reports/payment processes and timelines. There have been no errors or penalties from her work since she started. MOTA is in the process right now of becoming a County Transit Board. We will then be able to use the County Auditor for the processing of Accounts Payable instead of writing checks on-site, as is the current process. This will provide MOTA with additional protection and more segregation of duties. Mr. MacNaughton taught Ms. Patterson in December 2009 how to record the NSF checks and bank NSF fees as miscellaneous expenses. Mr. Miller informed her of the correct way to record these NSF checks in April 2010, and Ms. Patterson understands this process and has recorded it for future reference.

<b>Finding Number</b>	2009-004
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

**Noncompliance Citation – Reporting**

FTA Circular 9040.1F Chapter III Section 2.e (3) states net operating expenses are those expenses that remain after operating revenues are subtracted from eligible operating expenses. Likewise, in compliance with RTP criteria; eligible operating expenses are the basis for determining the Federal and State reimbursement amounts due to the rural transit system. The Authority accepts credit cards from passengers for the purchase of transit passes. The revenue accounts and found that the Investment Income Gen Fund account failed to be reported on the quarterly RTP operating assistance invoice. Revenue recorded in this account was associated with Off-Program VISA Account (the Account). The Account was linked to a bank account used exclusively for credit card sales of transit passes. The gross sales associated with credit card receipts were recorded in this Investment Income Gen Fund account.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2009-004 (Continued)
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

Bank fees and chargebacks associated with credit card transactions were recorded to the Other Miscellaneous Expense account and charged to the RTP. When comparing the closing balances of the fiscal year end revenue accounts to the amounts reported to ODOT. There were two additional revenue transactions that were not reported on the RTP operating assistance invoices. Both of the transactions were recorded in revenue accounts that included Gen Fund in the account name. One of the transactions involved the receipt of advertising revenue, and the other involved the recognition of receipts from the sale of scrap parts.

All operating revenues should be reported on the quarterly RTP operating assistance invoices. No operating revenue should be excluded from the quarterly RTP invoice without the express written approval of the ODOT Office of Transit.

**Client’s Response:**

Mr. MacNaughton trained Ms. Patterson in placing the Visa sales in the Off-Program Visa Account. The brief training regarding the Visa Account revealed that it was for Capital Replacement purchases and for emergencies, and to not touch it. Ms. Patterson did not understand the “why or how” this account worked. She did receive permission in February 2010 from the Board Chairperson, Ms. Nancy Shafer, to move and cancel the checking Visa account since no checks were being written, and then place the funds into a Savings account so that it would receive more interest and less bank charges. The Board, in Ms. Patterson’s opinion, was unaware that this process was happening with the Visa Sales and that anything inappropriate was occurring. The Board and Ms. Patterson placed trust in Mr. MacNaughton that he was advising them with correct procedures since he had been involved with MOTA since its inception. Therefore he had been working with ODOT in some capacity for 15 years, stated he was a CPA, and had prepared the ODOT Quarterly RTP Operating Invoices in the past years. Upon hearing that this was exclusion of Visa Farebox revenue from Mr. Michael Miller, ODOT Auditor, Ms. Patterson, within the week, corrected these unintentional exclusions with adjusting entries so that all 2010 Visa Transactions and Visa Bank fees reflected the proper Farebox revenue account. The normal bank fees associated with these purchases are then recorded in the miscellaneous expense account per Mr. Miller. Then Ms. Patterson contacted her ODOT representative, Mr. Justin Steele, to let him know that a corrected ODOT Quarterly RTP Operating Invoice was being sent reflecting the adjusting entries that Ms. Patterson made. Ms. Patterson had received advertising revenue and scrap metal revenue in 2010. Mr. Miller verified that her coding for scrap metal receipt was done correctly in October 2010. Ms. Patterson is aware of where the advertising revenue is coded. All Revenues will be recorded properly in the accounting system and reflected on the Quarterly Operating Invoices.

**MID-OHIO TRANSIT AUTHORITY  
KNOX COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009*

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
--

<b>Finding Number</b>	2009-005
<b>CFDA Title and Number</b>	Formulas Grants for other Than Urbanized Areas – Operating RPT-4042-029-091
<b>Federal Award Year</b>	2009
<b>Federal Agency</b>	United States Department of Transportation

**Noncompliance Citation – Reporting**

49 CFR 18 Section 18.20 (b)(1) states accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. 49 CFR 18 Section 18.20 (b)(6) states accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. Three accounts reported to ODOT have discrepancies between the year end balances in the Authority’s accounting system and the balances reported to ODOT. Also, employee reimbursement transactions included only basic support for claimed expenses. Generally, supporting documentation for mileage expenses was limited to scrap paper with the total miles and the rate per mile specified. There were some instances in which supporting documents were not attached to expense vouchers. The Authority should implement internal controls designed to ensure that all transactions have been accurately recorded in the accounting system prior to generating the year end trial balance report. The Authority should also adopt policies and procedures to identify what travel expenses are allowable for reimbursement and the reimbursement limits applicable to the various travel categories.

**Client’s response:**

Mr. MacNaughton had completed all the year-end processes previously. Mr. MacNaughton will no longer be performing the year end process at MOTA. Ms. Patterson will review and complete the year end process to ensure everything has been coded properly, and that all year end payments and any recording of revenue is entered in the proper year so that MOTA has an accurate Year End Trial Balance Report. Ms. Patterson completed the 2010 Year End Process with the assistance of Acclink. Ms. Patterson will implement internal controls on this process with a year-end processing checklist. Ms. Patterson has separate files for the Operating Grant invoices, and for the Capital Grant purchases. She is aware of the account codes that are to be used for Capital Grant purchases, and that they are billed immediately after received and paid. The exception would be vehicles, and they are approved to be invoiced to ODOT 30 days before receipt of the vehicle on a Capital Grant ODOT Invoice. Each Capital Grant purchase will have a MOTA purchase order attached, an approved invoice of receipt by Ms. Patterson, and a copy of the Capital Grant Invoice attached to the MOTA copy of the paid check cover. All assets will be entered into the ODOT PTMS Inventory System. Ms. Patterson has created the Expenses Report which will need to be approved by a supervisor before any expense check is prepared for an employee. The Board Chairperson signs all checks and approves all invoices/payment documentation. If the Board Chairperson is unable to sign checks and Ms. Patterson signs the checks. Ms. Patterson instructed the Fiscal Clerk to hold the payments out so that the Board Chairperson can sign and approve all payments that Ms. Patterson signed checks for. She will review the policy to make sure it identifies what is allowable, and what the reimbursement limits are in the travel categories to ensure that there are adequate internal controls for the reimbursement of employees. The Expense Report is approved by a manager, and there is back up paperwork attached such as an agenda or parking receipts if an approved conference is attended. There will be a travel policy with reimbursement limits identified.

MID-OHIO TRANSIT AUTHORITY

**SCHEDULE OF PRIOR AUDIT FINDINGS**  
*OMB CIRCULAR A-133 § .315 (b)*  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2008-001	Material Noncompliance – Payroll Taxes and Filings	Yes	
2008-002	Significant Deficiency – Vacation and Sick Leave Accrual	Yes	





# Dave Yost • Auditor of State

**MID-OHIO TRANSIT AUTHORITY**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 19, 2012**