STARK AREA REGIONAL TRANSIT AUTHORITY

Single Audit Report
for the Year Ended
December 31, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Stark Area Regional Transit Authority
1600 Gateway Blvd., SE
Canton, Ohio 44707

We have reviewed the Independent Auditor's Report of the Stark Area Regional Transit Authority, Stark County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2001 through December 31, 2001. 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 Stark Area Regional Transit Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

September 16, 2002

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STARK AREA REGIONAL TRANSIT AUTHORITY

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the accompanying balance sheets of the Stark Area Regional Transit Authority (the "Authority") as of December 31, 2001 and 2000, and the related statements of revenues and expenses, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Authority implemented Government Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and, retroactively restated its financial statements as of and for the year ended December 31, 2000 for the change.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of expenditures of federal awards for the year ended December 31, 2001 is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

July 19, 2002

STARK AREA REGIONAL TRANSIT AUTHORITY

BALANCE SHEETS
DECEMBER 31, 2001 AND 2000

ASSETS	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 1,192,268	$ 3,097,538
Receivables:		
Trade	72,064	100,801
Sales tax (Notes 1 and 3)	2,790,741	2,671,810
State capital grant and special fare assistance	488,016	58,320
Federal capital and planning grants	320,000	197,302
Materials and supplies inventory	357,193	396,277
Prepaid expenses and other assets	147,516	8,710
Total current assets	5,367,798	6,530,758
PROPERTY, FACILITIES AND EQUIPMENT:		
Land	139,299	139,299
Buildings and improvements	6,904,736	6,904,736
Transportation equipment	15,433,033	13,910,941
Other equipment	1,784,887	1,595,905
Total	24,261,955	22,550,881
Less accumulated depreciation	10,412,779	9,801,785
Property, facilities and equipment - net	13,849,176	12,749,096
TOTAL ASSETS	$ 19,216,974	$ 19,279,854

LIABILITIES AND EQUITY	2001	2000
CURRENT LIABILITIES:		
Accounts payable	$ 371,328	$ 192,328
Accrued payroll	436,146	560,510
Accrued payroll taxes	709,606	707,740
Federal reimbursement payable		38,431
Other	156,037	168,474
Total current liabilities	1,673,117	1,667,483
EQUITY:		
Capital grants (Note 1):		
Federal	8,662,041	10,118,747
State	922,348	1,177,938
Local		36,796
Total	9,584,389	11,333,481
Other contributed capital	217,429	217,429
Retained earnings (Note 1)	7,742,039	6,061,461
Total equity	17,543,857	17,612,371
TOTAL LIABILITIES AND EQUITY	$ 19,216,974	$ 19,279,854

See notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
OPERATING REVENUES:		
Passenger fares	$ 867,351	$ 863,119
Special transit fares	174,795	137,154
Auxiliary transportation revenue	32,203	53,618
Total operating revenues	1,074,349	1,053,891
OPERATING EXPENSES:		
Labor	6,172,965	6,475,880
Fringe benefits (Note 4)	3,534,124	3,311,312
Materials and supplies	1,901,933	1,965,887
Services	420,426	756,558
Utilities	210,971	152,248
Casualty and liability	206,723	109,402
Leases and rentals	7,741	34,206
Miscellaneous	421,376	596,087
Total operating expenses excluding depreciation	12,876,259	13,401,580
OPERATING LOSS BEFORE DEPRECIATION EXPENSE	(11,801,910)	(12,347,689)
DEPRECIATION EXPENSE (Note 1):		
On assets acquired with capital grants	1,749,092	1,310,669
On other assets	118,754	45,628
Total depreciation expense	1,867,846	1,356,297
OPERATING LOSS	(13,669,756)	(13,703,986)
NONOPERATING REVENUES:		
Sales tax revenues (Note 3)	10,237,386	10,606,593
Federal planning grant (Note 6)	25,512	54,488
State operating grants, reimbursements and special fare assistance (Note 6)	227,279	224,542
Interest income	82,739	172,612
Nontransportation revenues	19,421	10,096
Total nonoperating revenue - net	10,592,337	11,068,331
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,077,419)	(2,635,655)
CAPITAL CONTRIBUTIONS (Note 1):		
Federal	2,213,401	
State	795,504	
Total capital grant revenue	3,008,905	
NET LOSS	$ (68,514)	$ (2,635,655)

See notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Capital Grants			Other		
	Federal	State	Local	Contributed Capital	Retained Earnings	Total
BALANCES, JANUARY 1, 2000 (As restated - see Note 1)	$ 8,558,136	$ 1,317,511	$ 123,282	$ 217,429	$ 7,386,447	$ 17,602,805
CAPITAL GRANTS RECOGNIZED	2,647,162	43,558				2,690,720
DISPOSAL OF FIXED ASSETS	(36,399)	(9,100)				(45,499)
NET LOSS FOR 2000 (As restated - see Note 1)					(2,635,655)	(2,635,655)
DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	(1,050,152)	(174,031)	(86,486)		1,310,669	
BALANCES, DECEMBER 31, 2000 (As restated - see Note 1)	10,118,747	1,177,938	36,796	217,429	6,061,461	17,612,371
NET LOSS FOR 2001					(68,514)	(68,514)
DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS	(1,456,706)	(255,590)	(36,796)		1,749,092	
BALANCES, DECEMBER 31, 2001	$ 8,662,041	$ 922,348	$ -	$ 217,429	$ 7,742,039	$ 17,543,857

See notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 1,103,086	$ 1,043,081
Cash payments to suppliers for goods and services	(6,636,453)	(5,583,096)
Cash payments to employees for services	(6,295,463)	(5,971,294)
Net cash used in operating activities	(11,828,830)	(10,511,309)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	10,118,455	10,852,676
Operating grants received	225,488	271,198
Other	19,421	10,096
Net cash provided by noncapital financing activities	10,363,364	11,133,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	2,445,383	2,585,300
Acquisition of fixed assets	(2,976,283)	(3,353,561)
Proceeds from sale of fixed assets	8,357	4,005
Net cash used in capital and related financing activities	(522,543)	(764,256)
CASH FLOWS FROM INVESTING ACTIVITIES - Interest received from investments	82,739	172,612
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,905,270)	31,017
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,097,538	3,066,521
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,192,268	$ 3,097,538
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (13,669,756)	$ (13,703,986)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,867,846	1,356,297
Loss on disposal of equipment		30,475
Change in assets and liabilities:		
Accounts receivable - trade	28,737	(10,810)
Materials and supplies inventory	39,084	(44,912)
Prepaid expenses and other assets	(138,806)	1,123,986
Accounts payable	179,000	79,746
Accrued payroll	(124,364)	51,394
Accrued payroll taxes	1,866	453,192
Other current liabilities	(12,437)	153,309
NET CASH USED IN OPERATING ACTIVITIES	$ (11,828,830)	$ (10,511,309)

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations **-** Stark Area Regional Transit Authority (formerly Canton Regional Transit Authority) (the "Authority") was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code for the purpose of providing public transportation in the Stark County, Ohio area. As a political subdivision, it is distinct from and is not an agency of the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is managed by a nine-member Board of Trustees and provides virtually all mass transportation within the Stark County area. Approximately 77 percent of the Authority's employees at December 31, 2001 were subject to a collective bargaining agreement that will expire on December 31, 2003.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Stark County (see Note 3). On May 7, 2002, the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority's operations for an additional five years.

Reporting Entity **-** The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB") regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units and is not considered to be a component unit of any other entity.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor are any entities accountable for the Authority. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

Basis of Accounting **-** The Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position and cash flows. All transactions are accounted for in a single enterprise fund.

In accordance with Statement No. 20 of the GASB, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the GASB.

***Cash and Cash Equivalents* -** For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Investments* -** The Authority's investments (including cash equivalents) are recorded at fair value.

The Authority has invested funds in the State Treasury Asset Reserve of Ohio ("STAROhio"). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price that is the price at which the investment could be sold.

***Materials and Supplies Inventory* -** Materials and supplies inventory are stated at average cost determined using the first-in, first-out method. Inventory generally consists of maintenance parts and supplies for rolling stock and other transportation equipment.

***Property and Depreciation* -** Property, facilities and equipment are stated at historical cost. The cost of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Description	**Years**
Buildings	40
Transportation equipment	5-12
Other equipment	4-8

Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions is closed to the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on fixed assets acquired in this manner is closed to retained earnings.

***Recognition of Revenue, Receivables and Deferred Revenues* -** Passenger fares are recorded as revenue at the time services are performed.

Sales tax revenues are recognized when the underlying sales transaction occurs.

The Federal Transit Administration ("FTA") and the Ohio Department of Transportation ("ODOT") provide financial assistance and make grants 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 revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and prior to 2001, credited to contributed capital when the related qualified expenditures are incurred. Capital grant funds received in advance of project costs being incurred are deferred.

***Compensated Absences* -** The Authority accrues vacation and sick pay benefits as earned by its employees.

New Accounting Standard - Effective January 1, 2001, the Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. The Authority's principal nonexchange transactions involve the receipt of sales and use tax monies from the State of Ohio Department of Taxation, along with federal, state, and local grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's nonexchange transactions represent reimbursement-type grants and sales tax revenues. The reimbursement-type grants are recorded as revenue in the period in which the related expenditures are incurred. Sales tax revenues are recorded as revenue in the months in which the underlying sales transactions occur.

The principle changes in accounting that resulted from GASB Statement No. 33 are the requirement that the Authority prospectively report capital grants as revenues rather than contributed capital, and that the Authority record sales tax revenue in the months the underlying sales transactions occur, rather than when the taxes are collected by the State of Ohio. Accordingly, during the year ended December 31, 2001, $3,008,905 in capital contributions were recognized as revenue in the statement of revenue and expenses. In addition, with respect to sales tax revenues and as required under GASB 33, the Authority has retroactively restated its financial statements as of and for the year ended December 31, 2000 as follows:

Increase (decrease) in amounts previously reported:

Balance Sheet	
Sales and use tax receivable	$1,004,053
Retained earnings	1,004,053
Statement of Revenues and Expenses	
Sales and use tax revenues	(158,953)

2. CASH AND CASH EQUIVALENTS

The provisions of the Ohio Revised Code govern the investment and deposit of Authority monies. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts (STAROhio), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

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

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

Deposits - The carrying amount of the Authority's deposits was $768,030 at December 31, 2001 with a $858,816 bank balance. Deposits of $100,000 were covered by federal depository insurance at December 31, 2001. The $758,816 remaining balance was uncollateralized, as defined by GASB. However, this balance was collateralized with securities held by the pledging financial institution, but not in the Authority’s name.

Investments - Governmental Accounting Standards Board Statement No. 3 (“GASB No. 3”) has established credit risk categories for investments as follows:

Category 1	Insured or registered, or securities held by the Authority or its agent in the Authority's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Investments in STAROhio are unclassified investments since STAROhio represents an investment pool managed by another governmental unit and investments therein are not evidenced by securities that exist in physical or book entry form. The Authority's investments are detailed below and are categorized to give an indication of the level of credit risk assumed as of year-end.

	Risk Category			Carrying/
	1	**2**	**3**	**Fair Value**
Repurchase agreements			$ 407,811	$ 407,811
STAROhio				16,427
Total investments				$ 424,238

3. TAX REVENUES

On May 7, 2002, the voters of Stark County renewed the .25 percent sales tax levy. The renewed levy will expire in June 2007. Revenue can be used for operating or capital purposes. The Authority receives cash from sales tax levies when the related sales tax collections are distributed by the State of Ohio.

4. RETIREMENT BENEFITS

Plan Description - All employees of the Authority are required to be members of the Public Employees Retirement System of Ohio (“PERS”), a cost-sharing, multiple-employer pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy **-** The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their covered payroll to PERS (for union employees the Authority has contracted to fund the 8.5 percent employee contribution requirement). The Authority also funds the 8.5 percent employee contribution requirement for non-union employees. The PERS instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20 percent for state and local government divisions. For local government units, the employer contribution rate was 13.55, 10.84, and 13.55 percent of covered payroll for 2001, 2000, and 1999, respectively, including 4.3 percent in 2001 and 2000, and 4.2 percent in 1999 that is used to fund postretirement health care benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 2001, 2000 and 1999 were approximately $1,149,000, $1,029,000 and $979,000, respectively.

Other Postemployment Benefits Provided Through PERS **-** In addition to the pension benefits described previously, PERS provides postretirement healthcare coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is also available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

OPEBs are financed through employer contributions and investment earnings thereon. The assumptions and calculations noted in the following paragraphs below are based on PERS' latest actuarial review performed as of December 31, 2000. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEBs. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. For actuarial purposes, a smoothed market approach is used in determining the value of plan assets. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment return assumption rate for 2000 was 7.75 percent. An annual increase of 4.75 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases over and above 4.75 percent base increase, were assumed to range from .54 percent to 5.1 percent. Health care costs were assumed to increase 4.75 percent annually.

The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely.

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The Authority's contributions for other postemployment benefits to PERS for the years ended December 31, 2001, 2000 and 1999 were approximately $335,000, $348,000, and $264,000, respectively, equal to 100 percent of the required contributions for each year.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 (latest information available) was $11.8 billion. The actuarially accrued liability and the unfunded accrued liability, based on the actuarial costs method used, were $14.4 billion and $2.6 billion, respectively.

5. CONTINGENCIES AND COMMITMENTS

The Authority is a defendant in a number of lawsuits pertaining to matters that are incidental to performing its operations. Management believes that ultimate settlement of all outstanding litigation and claims will not result in a material adverse effect on the Authority's financial position.

Federal and State Grants - Under the terms of various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2001, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

Commitments - The Authority has no outstanding commitments to purchase revenue vehicles or fund capital improvements at December 31, 2001.

6. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Grants, reimbursements and special fare assistance included in the statements of revenues and expenses for the years ended December 31 consist of the following:

	2001	2000
FEDERAL PLANNING GRANT	$ 25,512	$ 54,488
STATE OPERATING GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE:		
ODOT Elderly Fare Assistance	$ 62,376	$ 45,935
ODOT Fuel Tax Reimbursement	164,903	178,607
Total	$ 227,279	$ 224,542

7. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employment-related matters, injuries to employees and employee theft and fraud. Effective December 31, 1997, the Authority joined together with certain other transit authorities in the State to form the Ohio Transit Insurance Pool Association, Inc. ("OTIP"), a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for eight member transit agencies. The Authority pays an annual premium to OTIP for its general insurance coverage and quarterly pays into a loss and administration fund pursuant to OTIP's bylaws. The Agreement of Formation of the OTIP provides that OTIP will be self-sustaining through member premiums and will reinsure through commercial companies for property damage and claims in excess of $100,000 and all liability claims in excess of $250,000 for each insured occurrence. The Authority is responsible for the first $1,000 of any claim or occurrence and amounts in excess of $10 million for liability claims.

The Authority continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* Statements No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. All three statements are effective for the year ending December 31, 2003. The Authority has not completed an analysis of the impact of these statements on its reported financial condition and results of operations.

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STARK AREA REGIONAL TRANSIT AUTHORITY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
FEDERAL TRANSIT CLUSTER			
Direct Program:			
Federal Transit Administration - Capital and Operating Assistance Formula Grants	20.507	OH-90-0298	$ 11,600
		OH-90-0354	26,636
		OH-90-0376	1,913,987
		OH-90-0390	320,000
			2,272,223
Passed-through the Ohio Department of Transportation:			
Federal Transit Administration - State Planning and Research Grant	20.515	OH-81-9002	25,512
Total Expenditures of Federal Awards			$ 2,297,735

See note to the Supplemental Schedule of Expenditures of Federal Awards.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2001

1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the “Schedule”) reflects the expenditures of Stark Area Regional Transit Authority under programs financed by the U.S. Government for the year ended December 31, 2001. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, Federal Awards include the following:

- Direct federal awards

- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations (if any).

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the financial statements of the Stark Area Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2001, and have issued our report thereon dated July 19, 2002, which included an explanatory paragraph regarding the implementation of new accounting standards. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated July 19, 2002.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

July 19, 2002

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Compliance

We have audited the compliance of the Stark Area Regional 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 are applicable to its major federal programs for the year ended December 31, 2001. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance 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; 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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

July 19, 2002

STARK AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2001

Summary Of Auditors' Results

- Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 2001 - Unqualified.

- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A. (None reported).

- Noncompliance Noted that is Material to the Financial Statements of the Authority - None.

- Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - N/A (None reported).

- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.

- The audit disclosed no findings required to be reported under Section 501(a) of OMB Circular A-133.

- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 2001:

    - Federal Transit Cluster

        - CFDA #20.507 Federal Transit Administration - Capital and Operating Assistance Formula Grants

        - CFDA #20.515 Federal Transit Administration - State Planning and Research Grant

- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - $300,000.

- The Authority is not considered to be a Low Risk Auditee as defined under OMB Circular A-133.

STARK AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2001

Findings Related to the Financial Statements that are Required to be Reported Under *Government Auditing Standards*:

None

Findings and questioned Costs Relating to Federal Awards:

None

STARK AREA REGIONAL TRANSIT AUTHORITY

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE
FOR THE YEAR ENDED DECEMBER 31, 2001

Prior Year Comment (00-1) - We noted two purchases during the year ended December 31, 2000, that exceeded $25,000 that were not competitively procured as required by the Ohio Revised Code ("ORC"). According to the documentation we were provided, the Board authorized the purchase of mobile lifts (total purchase price of $70,484) and the purchase of new computers (total purchase price of $31,795) without subjecting such purchases to competitive procedures. Section 306.43 of the ORC states that an expenditure that exceeds $25,000, with certain exceptions as detailed in the ORC, shall be made through full and open competition by the use of competitive procedures. The Federal Transit Cluster requires grantees and subgrantees to use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law per 49 CFR 18.36. Total questioned costs in this finding amounted to $102,279.

Current Year Status - The Authority has corrected its procurement procedures. In December 2000, the Board of Trustees adopted a new procurement policy to help ensure compliance with ORC Section 306.43. Additionally, the Authority developed and implemented procedures to make sure these policies are followed.

Prior Year Comment (00-2) - The Federal Transit Administration ("FTA") performed a Triennial Review of the Authority during 2000. The FTA issued a report (the "FTA Report") summarizing this review dated October 2000 entitled "Final Report - FY2000 Triennial Review of the Stark Area Regional Transit Authority (SARTA), Canton, Ohio." Per the FTA Report, "…bus #9117 was removed from service because of an accident. SARTA notified FTA that the bus was removed from service. Though SARTA received $68,000 in insurance proceeds for the accident, it has not reimbursed FTA for its share (80 percent or $54,400)." Per the FTA Report, "…the grantee must maintain control over facilities and equipment and ensure they are used in transit service."

Current Year Status - The Authority reimbursed FTA for its share during 2001.

Prior Year Comment (00-3) - The Federal Transit Administration ("FTA") performed a Triennial Review of the Authority during 2000. The FTA issued a report summarizing this review dated October 2000 entitled "Final Report - FY2000 Triennial Review of the Stark Area Regional Transit Authority (SARTA), Canton, Ohio." Per the FTA Report, in a review of transit operations, commissioned by the SARTA Board of Trustees in February 2000, charter services that SARTA was operating were not in accordance with FTA requirements. Many of these shuttle services supported special events, which were not open to public use. Should SARTA wish to continue to provide charter service, it needs to do so consistent with FTA regulations. Per the FTA Report, "…grantees are prohibited from using federally funded equipment and facilities to provide charter service except on an incidental basis and when one or more of applicable exceptions for urban areas set forth in the charter service regulation at 49 CFR Section 604.9(b) applies."

Current Year Status - The Authority has ceased all charter services.

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STARK AREA REGIONAL TRANSIT AUTHORITY

STARK 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
OCTOBER 1, 2002