



SARTA

Stark Area Regional Transit Authority

1600 Gateway Blvd. SE
Canton, Ohio 44707

Comprehensive Annual Financial Report
for the year ending December 31, 2012

come ride with us!



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Stark Area Regional Transit Authority, Stark County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2012 through December 31, 2012. 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.

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

Dave Yost
Auditor of State

July 16, 2013

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**Stark Area Regional Transit Authority
Canton, Ohio 44707**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2012**

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Introductory Section 2012

The Introductory Section includes:

Authority's transmittal letter

Certificate of Achievement for Excellence in Financial Reporting

District Profile

Board of Trustees and Management

Organizational Chart



June 21, 2013

Mr. Charles DeGraff, President
SARTA Board of Trustees
Members of Board of Trustees
And Residents of Stark County, Ohio

State law requires that every transit authority publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Ciuni & Panichi, Inc., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Stark Area Regional Transit Authority’s (SARTA’s) financial statements for the year ended December 31, 2012. The independent audit of the Authority’s financial statements was part of the broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the Authority’s separately issued single audit report.

This report is presented in three sections:

The **INTRODUCTORY SECTION** consists of the title page, the table of contents, this letter of transmittal, a district profile, the SARTA organizational chart, a listing of the members of the Board of Trustees and management of SARTA and a map of the municipalities in Stark County.


The **FINANCIAL SECTION** contains the Independent Auditor’s Report, the SARTA comparative financial statements and the notes to the financial statements. The notes to the financial statements are an integral part of the basic financial statements. Readers are directed to the Management Discussion and Analysis also included in this section.

The **STATISTICAL SECTION** consists of financial, economic and demographic information that is useful for indicating trends for comparative fiscal periods.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Stark Area Regional Transit Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the ninth consecutive year the agency earned this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and organized comprehensive annual financial report adhering to the highest standards in government accounting and financial reporting. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate for year ended December 31, 2012.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirt W. Conrad". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

Kirt W. Conrad
Executive Director/CEO

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Stark Area Regional Transit Authority, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

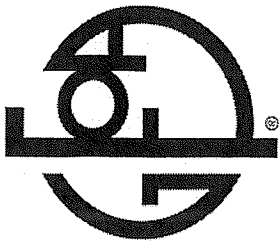


Linda C. Danison

President

Jeffrey R. Emer

Executive Director



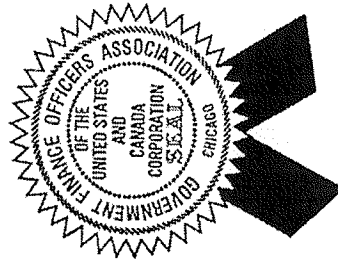
The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
Stark Area Regional Transit Authority, Ohio



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date January 6, 2012

Stark County, OH

Established: Act – February 13, 1808
Land Area: 576.2 sq. miles
County Seat: Canton City



Stark County is located in the northeastern portion of the State of Ohio and was named in honor of General John Stark who served in the Revolutionary War.

The County consists of nineteen municipalities (cities and villages) and seventeen townships. The seat of the county government is the City of Canton.

District Profile

The Authority was created in 1997, and is a Stark County transit authority, a state subdivision, enjoying all the rights and privileges accorded political subdivisions. The Stark Area Regional Transit Authority (SARTA) was created pursuant to Section 306.30 through 306.711 of the Ohio Revised Code for the purpose of providing public transportation in the Stark County, Ohio area.

As the public transit authority for Stark County, SARTA offers a variety of services to meet transit needs within the community. These include traditional fixed-route services, Paratransit Curb-to-Curb service for individuals with disabilities, shuttle service for special events that pose unusual transit challenges for the community, “community coach” services for senior citizens and the disabled living in assisted care and other facilities, and services providing connections between other transit providers.

The nine member Board of Trustees supervises the operations of the agency and sets policies for the day-to-day operations. They approve the annual budget, hire the Executive Director, and authorize the sales tax levy to be submitted to the voters every five years, which provides for approximately 75% of the operating funds for SARTA. In February of 2003, the Board adopted “Five Bold Steps” as an overall guide for the Authority. These Five Bold Steps are:

1. Operate Within Budget
2. Build High Quality Staff and Board
3. Grow Ridership
4. Maximize Financial Flexibility
5. Build Public Support

Internal Control

SARTA is responsible for establishing and maintaining an internal control system designed to ensure its assets are protected from loss, theft, or misuse and to ensure adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. SARTA’s management believes its internal controls are adequate.

Basis of Accounting

SARTA’s accounting records are maintained on the accrual basis. The activities are reported through the use of a single enterprise fund.

Budgetary Control

SARTA prepares its annual operating budget and capital budget on the accrual basis of accounting. The Director of Finance, CEO, and Administration prepares a preliminary budget of revenues, and allocates a proportional amount to each department. The Department Heads confer with the Director of Finance and Administration, and prepare their budgets within the allocation, and adjustments are made if necessary to meet budget for the overall agency requirements. The final balanced budget is presented to the Board Finance Committee. The Board Finance Committee submits the Budget to the Board at a public meeting. The annual operating and capital budget is adopted after a period of open discussion.

Budgetary control is maintained at the department level. It is the responsibility of each department to administer its operations in such a manner as to ensure the use of funds is consistent with the goals and programs authorized by the Board of Trustees. Budget amendments may be submitted to the Board one or more times throughout the operating year.

Capital purchases may extend beyond the one-year period, and local match funds are identified in each year's budget, even if carried over from prior years. Lead times for buses and construction schedules are examples of two items that may take many months from Board approval to completion and span more than one fiscal year.

Mission Statement

The Purpose of Stark Area Regional Transit Authority (SARTA) is to provide safe, responsive, and efficient transportation for all citizens of the Greater Stark County area.

Local Economy

Stark County is located in the Canton-Massillon metro area. It is home to the Professional Football Hall of Fame, First Ladies National Historic Site, and the William McKinley Presidential Library and Museum. Six institutions of higher learning are located in Stark County as well as various cultural attractions.

Long-Term Financial Planning

SARTA is required to plan projects and schedule their completion in a document called the Transit Development Plan (TDP). These projects are then scheduled into a Transportation Improvement Plan (TIP) by the Metropolitan Planning Organization (Stark County Area Transportation Study-SCATS) for the county, who then forwards the entire plan to the State of Ohio for inclusion in the State

Transportation Improvement Plan. This state document forms the basis of planning transportation for the state.

SARTA's projects are financed through a combination of federal funds, state funds, and local match requirements. Some projects are matched by county or city involvement in the project, or by sales tax revenues received by the authority.

Major Initiatives

2012 In Review

Advanced Communications- SARTA began its advanced communications project an Advanced Communications project in 2012. This project will allow passengers to get a phone call when their bus is coming, schedule on line, or via phone.

Service changes – SARTA continues to adjust service, focusing on Alliance and Belden Village area at the end of 2012. The route serving the Belden Village area have increased nearly 100% in the last year.

CNG – SARTA began a compressed natural gas fueling station, in May. Currently 33 vehicles operate only on CNG. Our public facility is the only one in Stark County and only one of 11 in the state.

Travel Training – the program to assist individuals to learn to ride and utilize the fixed route system was expanded. There are now three full-time travel trainers. Several thousand are trained every year.

LGF Grant - The Local Government Innovation Fund (LGIF) grant was awarded to the Stark County Educational Service Center and SARTA to look at ways the 18 local school districts and SARTA could collaborate and improve service. Recommendations should be made in 2013.

Future Initiatives

The major proposed capital projects include:

- Preventative maintenance on buses and buildings
- Software expansions
- Upgrading operational and maintenance equipment
- Mahoning Road Corridor project
- Emphasizing new Veterans programs to better meet Stark County Veterans transportation needs
- Updating the Administrative area and three transit stations

Management also intends to explore such projects as:

- Multi-agency project to expand the Lincoln Way Corridor
- Alternative fuels and energy sources

The next few years will see movement towards enhancing the public's use of the system, whether through security measures installed, newer and more efficient buses and fuels, or other transportation corridors established. While ridership is expected to plateau on fixed routes as population remains stable, SARTA is aware of the growing age of the population with more demands on Paratransit and other specialized needs and is making plans to meet the requirements of its users.

**STARK AREA REGIONAL TRANSIT AUTHORITY
BOARD OF TRUSTEES AND MANAGEMENT**

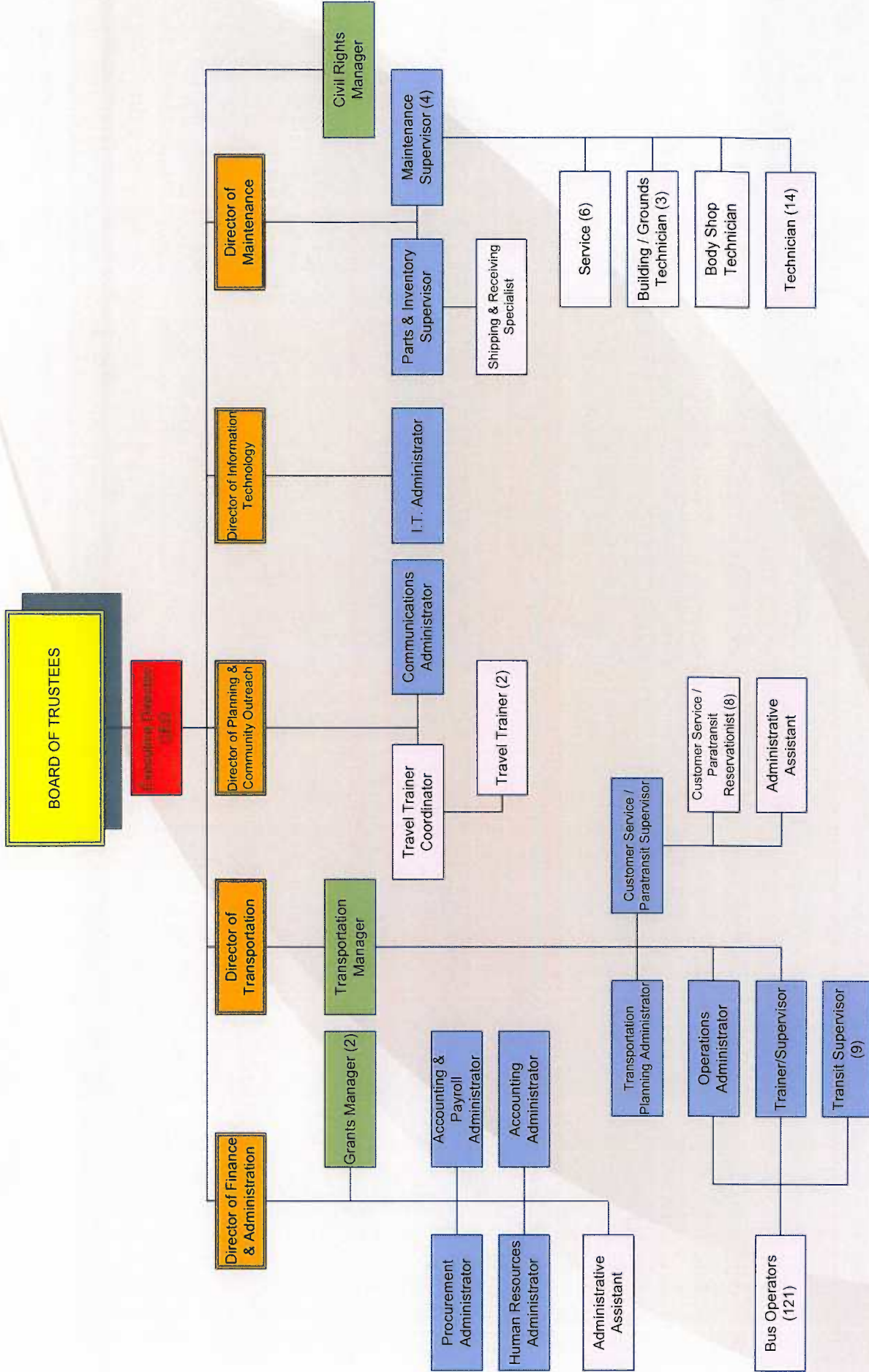
AS OF DECEMBER 31, 2012

BOARD OF TRUSTEES

President.....*Charles DeGraff*
Vice President*Nancy Johnson*
Trustees.....*Gerald Bixler*
Dwan Gordon–St John
Ronald Macala
Nick Navarra
James Reinhard
Chet Warren

MANAGEMENT

Executive Director/CEO..... *Kirt W. Conrad*
Director of Finance & Administration..... *Currently Vacant Position*
Director of Transportation..... *Currently Vacant Position*
Director of Maintenance..... *Mark Finnicum*
Director of Information Technology..... *Craig Smith*
Director of Planning & Community Outreach.... *Katherine Manning*



Stark Area Regional Transit Authority Organizational Chart

As of December 2012



Financial Section 2012

The Financial Section includes:

*Independent Auditor's Report
Management's Discussion and Analysis (MD&A)
Basic Financial Statements
Notes to the Financial Statements*

Independent Auditor's Report

Board of Trustees
Stark Area Regional Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Stark Area Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2012, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
Stark Area Regional Transit Authority

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

December 31, 2011 Basic Financial Statements

The basic financial statements of the Authority as of and for the year ended December 31, 2011 were audited by predecessor auditors whose report dated July 9, 2012, expressed an unqualified opinion.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Cleveland, Ohio
June 21, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

As the financial management of the Stark Area Regional Transit Authority (Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2012 and 2011. 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 financial statements as a whole.

Financial Highlights

The Authority's total net position increased \$6,617,591 or 18.20% in 2012. Buses were replaced during the year and federal capital grant funding increased, contributing to the increase in net position.

The Authority's total net position increased \$3,098,199 or 9.31% in 2011 from 2010. Contributing to this increase was the completion of the Belden Village Transfer center.

The Authority's operating expenses, excluding depreciation; in 2012 were \$1,382,027 higher than in 2011, a 9.72% increase, primarily due to increased materials, utility and fuel costs.

The Authority's operating expenses, excluding depreciation, in 2011 were \$362,345 higher than in 2010, a 2.61% increase, primarily due to increased labor costs because there were more employees in 2011 than in 2010.

Operating revenue for the Authority was \$77,597 lower in 2012, a 4.28% decrease. In 2012 Ridership increased with participation in Passes for Employment Program and One-ride for Travel Training which are non-revenue generating programs.

Operating revenue for the Authority was \$211,962 higher in 2011, a 13.22% increase. Ridership increase in 2011 while it decreased in 2010.

In 2012 sales tax revenue increased \$619,393, or 5.15% compared to 2011. Sales tax revenue accounted for 71.98% of all funding in 2012, exclusive of capital grants.

In 2011 sales tax revenue increased \$649,710, or 5.72% compared to 2010. Sales tax revenue accounted for 72.72% of all funding in 2011, exclusive of capital grants.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Stark Area Regional Transit Authority's (Authority) basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the *basic financial statements*, and

2) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business.

The Authority only maintains one fund, an enterprise fund, which reports functions as *business-type activities*.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of revenues and expenses and changes in net position* presents information showing how the Authority's net position changed during the most recent fiscal year and activities giving rise to those changes. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., undistributed sales tax and earned but unused sick leave).

The final required financial statement is the *statement of cash flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 25-45 of this report.

Financial Analysis of the Authority

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$42,987,118 at the close of the most recent fiscal year.

The Authority's net position are comprised primarily of its investment in capital assets (e.g., land, buildings, transportation equipment, and other equipment) and reserves of cash invested in CDAR's. The Authority uses these capital assets to provide transportation services to the citizens of Stark County; consequently, these assets are *not* available for future spending.

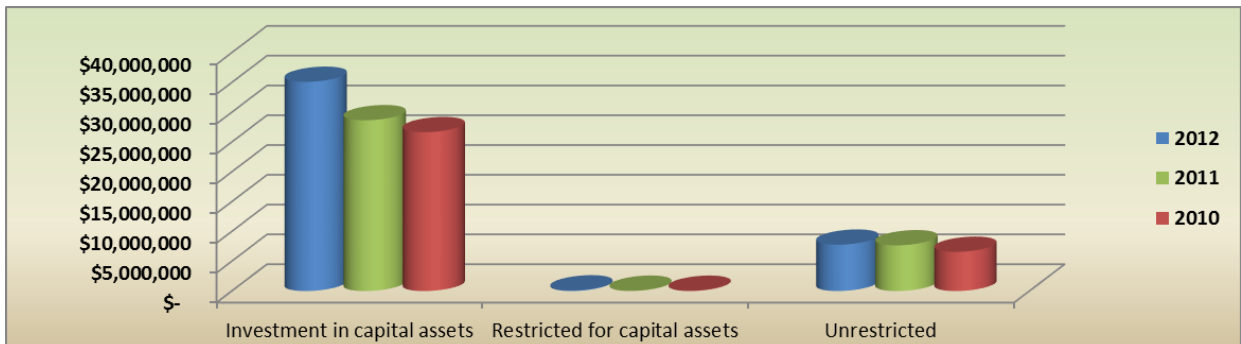
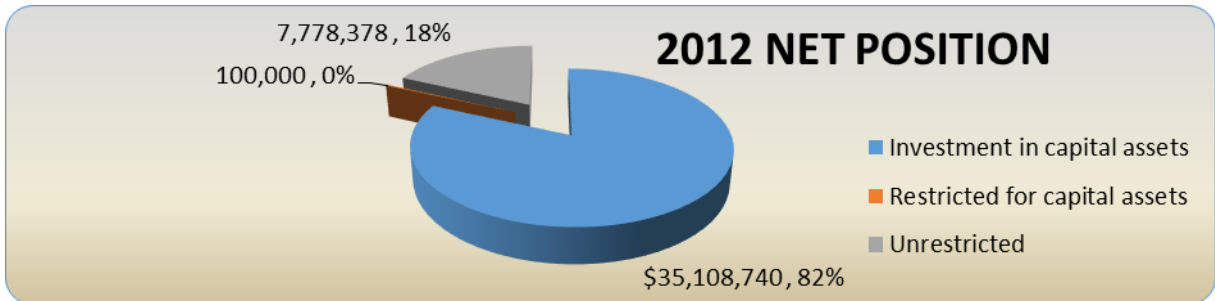
In 2012, the Authority's net position represented resources that were subject to the restriction of being held to pay for capital assets. In 2012 *unrestricted net position* totaled \$7,778,378.

In 2011 the Authority's *unrestricted net position* totaled \$7,671,591.

At the end of 2012 and 2011, the Authority is able to report positive balances in net position, and the same held true for 2010.

Stark Area Regional Transit Authority's Net Position

NET POSITION	2012	2011	2010
<i>Current assets</i>	\$9,987,661	\$8,985,840	\$7,832,712
<i>Capital assets, net</i>	35,108,740	28,659,037	26,657,794
<i>Total assets</i>	<u>\$45,096,401</u>	<u>\$37,644,877</u>	<u>\$34,490,506</u>
<i>Current liabilities</i>	\$2,109,283	\$1,275,350	\$1,219,178
<i>Total liabilities</i>	<u>\$2,109,283</u>	<u>\$1,275,350</u>	<u>\$1,219,178</u>
<i>Net position:</i>			
<i>Investment in capital assets</i>	\$35,108,740	\$28,659,037	\$26,657,794
<i>Restricted for capital assets</i>	100,000	38,899	38,899
<i>Unrestricted</i>	<u>7,778,378</u>	<u>7,671,591</u>	<u>6,574,635</u>
<i>Total net position</i>	<u>\$42,987,118</u>	<u>\$36,369,527</u>	<u>\$33,271,328</u>



As can be seen from the table of net position, in 2012 net position increased \$6,617,591 to \$42,987,118 from \$36,369,527 in 2011. Buses were replaced during the year and federal capital grant funding increased, contributing to the 18% increase in net position.

For more information on capital assets, readers are referred to NOTE 4 to the Financial Statements.

CHANGES IN NET POSITION

OPERATING REVENUES	2012	2011	2010
Passenger fares	\$1,111,074	\$1,069,426	\$1,051,643
Special transit fares	553,229	684,507	529,091
Auxiliary transportation revenue	72,972	60,939	22,176
TOTAL OPERATING REVENUES	1,737,275	1,814,872	1,602,910
OPERATING EXPENSES			
Labor	5,902,311	5,808,570	5,566,669
Fringe benefits	4,785,964	4,221,636	4,143,021
Materials & supplies	3,085,079	2,512,522	2,342,831
ODOT fuel tax reimbursement	(125,428)	(142,943)	(144,267)
Services	998,807	884,687	728,318
Utilities	326,085	237,395	241,461
Casualty & liability	388,802	368,469	617,237
Leases & rentals	237	2,930	1,738
Miscellaneous	236,161	322,725	356,638
TOTAL OPERATING EXPENSES	15,598,018	14,215,991	13,853,646
OPERATING LOSS BEFORE DEPRECIATION	(13,860,743)	(12,401,119)	(12,250,736)
Depreciation expense	3,611,443	3,415,401	1,911,419
OPERATING LOSS	(17,472,186)	(15,816,520)	(14,162,155)
NON OPERATING REVENUES (EXPENSES)			
Sales tax revenues	12,636,571	12,017,178	11,367,468
Federal preventative maintenance	3,144,395	2,669,878	1,841,668
Federal operating & capital grants	-	-	2,010,817
State preventative maintenance	-	-	25,380
Elderly & disabled assistance	-	-	372,917
Federal planning grants	-	-	190,354
Investment/interest income	9,979	1,534	19,799
Sales tax collection expense	(125,115)	(120,172)	(112,509)
Gain (loss) on disposal	(75,508)	(16,379)	(13,259)
Non-transportation revenue	26,552	22,190	32,079
Unusual legal events	-	-	(79,708)
NON OPERATING REVENUES/EXPENSES-NET	15,616,874	14,574,229	15,655,006
CAPITAL GRANT REVENUE			
Federal capital grant	5,391,151	4,203,691	5,674,426
State/local capital grant	2,981,752	97,900	500,000
Restricted for capital assets	100,000	38,899	-
TOTAL CAPITAL GRANTS	8,472,903	4,340,490	6,174,426
CHANGE IN NET POSITION	6,617,591	3,098,199	7,667,277
Net Position, beginning balance	\$36,369,527	\$33,271,328	\$25,604,051
Net Position, ending balance	\$42,987,118	\$36,369,527	\$33,271,328

The Authority's *operating revenues* decreased 4.28% or \$77,597 to \$1,737,275 in 2012. Ridership increased with participation in Passes for Employment Program and One-ride for Travel Training which are non-revenue generating programs. Passenger fares were increased 20% - 25% at the end of 2009. The passenger fare increase offset a decrease in ridership. *Operating revenues* are generated mainly from pass sales, ticket sales, special event fares and fare box cash paid by riders/passengers, and a small amount of revenue is generated by the sale of advertising space on the exteriors and interiors of buses.

Depreciation expense increased \$196,042 in 2012, due to the retirement of buses, maintenance equipment and computer hardware.

The 2011 increase in *Non-operating revenues* of \$211,962, or 1.3%, to \$1,814,872. In 2011, *Non-operating revenues* remained fairly steady.

Cash Flows

Sales tax collections are defined as *non-capital revenue*, and are used to support the regular activities of the agency. The sales tax receipts and transit operating revenues, with the balance being obtained through the use of grants to cover preventative maintenance on buses, generally cover expenses of the agency. Shortfalls in cash inflows are generated by requirements that the agency fund up to 20% of capital purchases with local funding. The Agency purchased both diesel fuel and hybrid buses, and maintenance support equipment, which were two main cash impacts of this 20% requirement for local funding.

CASH FLOWS

	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Gross cash received from customers	\$1,781,802	\$1,722,144	\$1,625,181
Gross cash payments to suppliers for goods & services	(4,121,095)	(3,494,448)	(4,299,898)
Gross cash payments to employees for salaries and wages	(6,281,062)	(6,037,253)	(5,584,863)
Gross cash payments for employee for benefits	(4,623,071)	(4,913,848)	(4,149,772)
Gross other	-	22,188	(47,629)
Net cash used in operating activities	(\$13,243,426)	(\$12,701,217)	(\$12,456,981)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Gross sales taxes received	\$12,433,984	\$11,838,410	\$11,015,399
Gross operating & preventive maintenance grants received	3,511,401	2,245,396	4,187,772
Gross other	26,552	-	-
Net cash provided by noncapital financing activities	\$15,971,937	\$14,083,806	\$15,203,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Gross federal capital grant revenue	\$5,657,530	\$4,242,590	\$5,501,283
Gross state/local capital grant revenue	2,981,752	97,900	500,000
Proceeds from sale of Capital Assets	8,648	-	-
Gross acquisition of capital assets & work in process	(9,763,448)	(5,432,587)	(6,512,060)
Net cash used in capital and related financing activities	(\$1,115,518)	(\$1,092,097)	(\$510,777)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	\$9,979	\$1,534	\$19,799
NET INCREASE IN CASH AND CASH EQUIVALENTS			
	\$1,622,972	\$292,026	\$2,255,212
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			
	\$3,644,507	\$3,352,481	\$1,097,269
CASH AND CASH EQUIVALENTS, END OF YEAR			
	\$5,267,479	\$3,644,507	\$3,352,481

Capital Assets

The Authority's investment in capital assets amounts to \$35,108,740 net of accumulated depreciation as of December 31, 2012, a net increase of \$6,449,703, 22.5% over 2011, primarily due to the purchase of buses. Capital Assets include land, land improvements, revenue producing and service equipment, buildings and structures, office furnishings, shop equipment, computer equipment, and software licenses. Major capital asset expenditures during the current fiscal year included the following:

30', 35', 40' Buses	\$ 3,667,504
Light Duty Buses	\$ 1,373,169
Support Vehicles	\$ 99,198
Computer Hardware and Web design	\$ 36,627

The Authority's investment in capital assets amounts to \$28,659,037 net of accumulated depreciation as of December 31, 2011, a net increase of \$2,001,243, 7.50% over 2010, primarily due to the purchase of transportation equipment. Capital Assets include land, land improvements, revenue producing and service equipment, buildings and structures, office furnishings, shop equipment, computer equipment, and software licenses. Major capital asset expenditures during the current fiscal year included the following:

Transportation Equipment	\$ 333,996
Building & Improvements	\$ 2,255,230

The *Notes to the Financial Statements*, pages 36-37, provide additional information on capital assets.

Long-Term Debt

The Authority has no long-term debt, nor does it have any plans to acquire long-term debt in the immediate future.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in such. The reader is directed to the *Basic Financial Statements* and *Notes to the Financials*, immediately following, for further information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Kirt Conrad
Chief Executive Officer
Stark Area Regional Transit Authority
1600 Gateway Blvd., S.E.
Canton, Ohio 44707

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS:		
Cash & cash equivalents	\$ 5,167,479	\$ 3,605,608
Receivables:		
Trade	85,079	129,606
Project receivable State/Federal grants	693,242	1,165,526
Sales tax	3,351,029	3,273,558
Materials & supplies inventory	157,024	189,731
Prepaid expenses & other assets	433,808	582,912
Restricted for capital assets:		
Cash & cash equivalents	100,000	38,899
TOTAL CURRENT ASSETS	9,987,661	8,985,840
Capital assets: (Note 4)		
Land	932,672	882,672
Buildings & improvements	16,119,991	16,130,119
Transportation equipment	22,733,008	20,551,191
Other equipment	4,653,888	4,848,497
Construction & WIP	5,522,328	732,821
Total capital assets	49,961,887	43,145,300
Less accumulated depreciation	(14,853,147)	(14,486,263)
Capital assets - net	35,108,740	28,659,037
TOTAL ASSETS	\$ 45,096,401	\$ 37,644,877
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	1,226,881	477,890
Accrued payroll	211,817	201,766
Accrued payroll taxes & withholdings	418,576	403,643
Other current liabilities	152,009	153,152
Deferred capital grants	100,000	38,899
TOTAL CURRENT LIABILITIES	2,109,283	1,275,350
TOTAL LIABILITIES	2,109,283	1,275,350
NET POSITION:		
Net investment in capital assets	35,108,740	28,659,037
Restricted for capital assets	100,000	38,899
Unrestricted	7,778,378	7,671,591
TOTAL NET POSITION	42,987,118	36,369,527
TOTAL LIABILITIES AND NET POSITION	\$ 45,096,401	\$ 37,644,877

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Passenger fares	\$ 1,111,074	\$ 1,069,426
Special transit fares	553,229	684,507
Auxiliary transportation revenues	72,972	60,939
TOTAL OPERATING REVENUES	<u>1,737,275</u>	<u>1,814,872</u>
OPERATING EXPENSES		
Labor	5,902,311	5,808,570
Fringe benefits	4,785,964	4,221,636
Materials & supplies	3,085,079	2,512,522
ODOT Fuel Tax Reimbursement	(125,428)	(142,943)
Services	998,807	884,687
Utilities	326,085	237,395
Casualty & liability insurance	388,802	368,469
Leases & rentals	237	2,930
Miscellaneous	236,161	322,725
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	<u>15,598,018</u>	<u>14,215,991</u>
OPERATING LOSS BEFORE DEPRECIATION	(13,860,743)	(12,401,119)
DEPRECIATION EXPENSE (Note 4)	<u>3,611,443</u>	<u>3,415,401</u>
OPERATING LOSS	(17,472,186)	(15,816,520)
NONOPERATING REVENUES (EXPENSES)		
Sales tax revenues (Note 3)	12,636,571	12,017,178
Operating grants and reimbursements	3,144,395	2,669,878
Interest income	9,979	1,534
Sales tax collection expense	(125,115)	(120,172)
Loss on disposal of capital assets	(75,508)	(16,379)
Non-transportation revenues	26,552	22,190
Total Non-Operating Revenues - Net	<u>15,616,874</u>	<u>14,574,229</u>
NET GAIN/(LOSS) BEFORE CAPITAL GRANT REVENUE	(1,855,312)	(1,242,291)
Federal capital grant	5,391,151	4,203,691
State capital grant	2,981,752	97,900
Restricted for capital assets	100,000	38,899
Total Capital Grants	<u>8,472,903</u>	<u>4,340,490</u>
INCREASE IN NET POSITION	6,617,591	3,098,199
Net position, beginning of year	<u>36,369,527</u>	<u>33,271,328</u>
Net position, end of year	<u>\$ 42,987,118</u>	<u>\$ 36,369,527</u>

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	\$ 1,781,802	\$ 1,722,144
Gross cash payments to suppliers for goods & services	(4,121,095)	(3,494,448)
Gross cash payments to employees for salaries and wages	(6,281,062)	(6,037,253)
Gross cash payments for employees benefits	(4,623,071)	(4,913,848)
Gross other	-	22,188
Net cash used in operating activities	<u>(13,243,426)</u>	<u>(12,701,217)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	12,433,984	11,838,410
Gross operating & preventive maintenance grants received	3,511,401	2,245,396
Gross other	26,552	-
Net cash provided by noncapital financing activities	<u>15,971,937</u>	<u>14,083,806</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	5,657,530	4,242,590
Gross state/local capital grant revenue	2,981,752	97,900
Proceeds from sale of capital assets	8,648	-
Gross acquisition of capital assets & work in process	(9,763,448)	(5,432,587)
Net cash used in capital and related financing activities	<u>(1,115,518)</u>	<u>(1,092,097)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	9,979	1,534
Net cash used in investing activities	<u>9,979</u>	<u>1,534</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,622,972	292,026
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,644,507</u>	<u>3,352,481</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,267,479</u>	<u>\$ 3,644,507</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (17,472,186)	\$ (15,816,520)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	3,611,443	3,415,401
Decrease (increase) in accounts receivable - trade	44,527	(92,729)
Decrease in materials & supplies inventory	32,706	9,555
Increase (decrease) in prepaid expenses & other assets	149,104	(152,491)
Increase in accounts payable	367,140	3,316
Increase (decrease) in accrued payroll & withholdings	10,051	(106,093)
Increase (decrease) in accrued payroll taxes	14,925	(83,859)
Decrease (increase) in other current liabilities	(1,136)	122,203
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (13,243,426)</u>	<u>\$ (12,701,217)</u>

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash financing activity:		
Change in accounts payable related to capital assets & work in process acquisitions	\$ 381,854	\$ -

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Stark Area Regional Transit Authority (the “Authority”) was created pursuant to Section 306.30 through 306.711 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 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 75 percent of the Authority’s employees at December 31, 2012 were subject to a collective bargaining agreement that expires on January 4, 2017.

Under Ohio law, the Authority is authorized to levy a sales tax 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 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority’s operations through June of 2016.

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 is any entity 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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 all inclusive enterprise fund.

The Authority defines operating funds as those funds received or receivable relative to the provision of transit services such as passenger fares, special fares, and auxiliary revenue including advertising on the bus sides. Non-operating funds are funds received or receivable which are peripheral to the transit-related activities such as the dedicated sales tax funds and grants used for planning and preventive maintenance on capital assets funded by the Federal Transit Administration and Ohio Department of Transportation, Office of Transit.

The Authority complies with the provisions of GASB Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions". In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of non-exchange transactions involving financial or capital resources. The principal changes in accounting that resulted from GASB Statement No. 33 are the requirements that the Authority prospectively report grants as revenues rather than contributed capital, and that the Authority record sales tax revenue in the month the underlying sales transactions occur, rather than when the taxes are collected by the State of Ohio.

The Authority complies with the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents, or cash on hand.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Authority has invested funds in CDARs through Huntington Bank. CDARs are bank invested funds in CD's of various banks, up to the \$250,000 per CD, so each is fully insured by the FDIC, thereby reducing investment risk.

The Authority has invested funds in Money Market account through Huntington Bank. The Money Mutual account is a portfolio of securities managed by investment professionals and is insured by the FDIC, thereby reducing investment risk.

Huntington collateralizes public deposits in excess of \$250,000 in FDIC Insurance. Risk has been reduced by invested deposits that are insured 105% Total Public Fund Deposits (Book Value) Subject to the Pool. Custodian of pool securities for The Huntington National Bank's pooled collateral accounts is The Federal Reserve Bank of Boston.

Materials and Supplies Inventory and Prepaid Items

Materials and supplies inventory are stated at the cost determined using the first-in, first-out valuation method. Inventory generally consists of maintenance parts, supplies for rolling stock and other transportation equipment, fuel and lubricants, office supplies, and supplies to maintain the buildings.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital assets at an initial cost of \$2,500 or more and with a useful life of more than one year are deemed depreciable and added to capital assets.

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	3-8

Transportation equipment is depreciated on the straight-line method for the useful lives described above unless the total mileage allowed per the Federal Transit Authority (FTA) guidelines for depreciation occurs first. Generally, the FTA unit mileage depreciation method is used. Net income (loss) adjusted by the amount of depreciation on capital assets acquired in this manner is closed to net position.

The Agency's software is amortized over three (3) years.

In 2003, SARTA entered into a contract to be a Beta Site for the development of a Radio/Computer Communications System. This was to be a two-year project but complications delayed the project into 2009 which was then canceled due to non-performance. Negotiations and meetings continued into 2010. In 2011, the Agency determined that almost none of the equipment or software would be useable and selected a new system supplier. It was determined that only the emergency radio/cellular equipment would be useable. SARTA has decided to write off all other software and hardware for the system currently in somewhat unstable use, and cannot isolate any equipment costs to write off as scrap, currently, due to the intricacy of the software and equipment. We are therefore accelerating both software and hardware depreciation over 27 months –the timeframe in which the new equipment and software will be installed, tested, and go live at the end of the aforementioned 27 months in 2013.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classifications of Revenues

The Authority has classified its revenues as either operating or non-operating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and advertising revenues. Non-operating revenue includes activities that have the characteristics of non-exchange transactions such as sales tax proceeds and most federal, state, and local grants and contracts.

Recognition of Revenue, Receivables, and Deferred Revenues

Passenger fares are recorded as revenue at the time transactions are performed.

The federal government, through the FTA and the Ohio Department of Transportation (ODOT), provides financial assistance and makes 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 periods. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as a project receivable and credited to non-operating revenues when related capital expenditures are incurred. Capital grants for the maintenance of property, plant, and equipment are recorded as grant receivable and credited to non-operating revenues in the period operating expenditures are incurred.

When assets with value remaining were acquired with capital grants funds and are disposed of, or if revenue from disposal is \$5,000 or more, the Authority is required to notify the granting federal agency. A proportional amount of the above noted proceeds or fair market value, if any, of such property and equipment may be used to acquire like-kind replacement vehicles or, alternatively, remitted to the granting federal agency.

Classifications of Expenses

The Authority has classified its expenses as either operating or non-operating. Operating expenses are the recurring costs which are related to the operation of the agency. Non-operating expenses include costs that are due to transactions other than the primary operations of the agency.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal and State Operating and Preventive Maintenance Assistance Funds

Federal and state operating and preventive maintenance assistance funds to be received by the Authority are recorded and reflected as income in the period to which they are applicable.

Sales Tax Revenues

The Authority recognizes sales tax revenues at gross when the underlying sales transaction occurs, while recording the accompanying state deduction for administrative costs as an expense.

Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees. Vacation time must be used within the calendar year. Unused vacation time does not carry over to the next fiscal year.

It is the Authority's policy to allow administrative employees to accumulate earned but unused sick leave up to 320 hours. Hours earned during the year exceeding 320 hours are paid at fiscal year end at 50% value at the current earnings rate. Administrative employees are paid accrued sick days upon separation from service at 50% percent value at the current earnings rate.

2. CASH AND CASH EQUIVALENTS

In 2012, the Authority's Board of Trustees revised the investment policy of the Authority. Allowable investments are according to Ohio Revised Code Section 135, and are limited to the following:

- U.S. Treasury Bills, Notes, Bonds, issues of the Federal National Mortgage Assn. (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Assn. (SLMA), Government National Mortgage Assn. (GNMA), and other agencies or instrumentalities for which the full faith and credit of the U.S. Government is pledged for the repayment of principal and interest. Bills are short term (one year or less) obligations issued and sold at a discount. Notes have fixed coupon rates with original maturities of between one and five years. Any eligible investment may be purchased at a premium or a discount, and can include instruments that may be called by the issuer prior to the final maturity date.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

2. CASH AND CASH EQUIVALENTS (CONTINUED)

- Ohio Subdivision's Fund (STAR Ohio), managed by the State Treasurer of Ohio.
- Demand deposit accounts (such as checking accounts) established with local financial institutions.
- Certificates of Deposit (CDs) issued by local financial institutions mentioned in Section 135.32 of the ORC.
- Commercial paper notes issued by companies incorporated under the laws of the United States; specific limitations apply as defined under Section 135.14(B) (7) of the ORC.
- Banker's acceptances issued by any domestic bank rated in the highest category by a nationally recognized rating agency; specific limitations apply as defined under Section 135.14 (B) (7) of the ORC.
- No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division B(1) or B(2) under Section 135.14 of the ORC and repurchase agreements secured by such obligations. Eligible money market funds shall comply with Section 135.01 of the ORC regarding limitations and restrictions.
- Repurchase agreements with any eligible institution mentioned in Section 135.32 of the ORC, or any eligible securities dealer pursuant to the ORC, except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery vs. payment basis with collateral held in safekeeping by a third party custodian as agreed to by the Executive Director. The market value of securities subject to a repurchase agreement must exceed the principal value of the repurchase agreement by at least two percent as defined under the Ohio Revised Code. The Executive Director reserves the right to require an additional percentage of collateral securing such repurchase agreements. Prior to the execution of any repurchase agreement with an eligible dealer, master repurchase agreement will be signed by the Executive Director and the eligible dealer.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

2. CASH AND CASH EQUIVALENTS (CONTINUED)

The Authority is prohibited from investments of the following:

- The use of derivative securities, as defined in Section 135.14 of the ORC, is expressly prohibited.
- The final maturity of all eligible investments is 5 years, unless the investment is matched to a specific obligation or debt of SARTA and the investment is specifically approved by the Board of Trustees.
- A repurchase agreement under the terms of which the investing authority agrees to sell securities to a purchaser and agrees with that purchaser to unconditionally repurchase those securities that is not a delivery vs. payment basis transaction.
- The investment into a fund established by another subdivision if the fund was established for the purpose of investing public monies of other subdivisions.
- The use of leverage, in which the investing authority uses its current investment assets as collateral for the purpose of purchasing other assets.
- The issuance of taxable notes for the purpose of arbitrage.
- Contracting to sell securities that have not yet been acquired, for the purpose of purchasing such securities on the speculation that bond prices will decline.

Deposits

At December 31, 2012, the carrying amount of the Authority's deposits was \$5,267,479. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, none of the Authority's bank balance of \$5,267,479 was exposed to custodial risk as discussed below, while \$1,250,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2011, the carrying amount of the Authority's deposits was \$1,624,560. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$1,282,367 of the Authority's bank balance of \$1,624,560 was exposed to custodial risk as discussed below, while \$342,193 was covered by Federal Deposit Insurance Corporation.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Huntington collateralizes public deposits in excess of \$250,000 in FDIC Insurance. Risk has been reduced by invested deposits that are insured 105% Total Public Fund Deposits (Book Value) Subject to the Pool. Custodian of pool securities for The Huntington National Bank's pooled collateral accounts is The Federal Reserve Bank of Boston. However, all of these balances were collateralized with securities held by the pledging financial institution but not in the Authority's name.

Investments

As of December 31, 2012 and 2011, the Authority held the following investments:

<u>Investment</u>	<u>2012 Fair Value</u>	<u>2011 Fair Value</u>
State Treasurer's Investment Pool		
STAROhio	\$ 20,101	\$ 20,086
Federal Natl Mtg Assn 0.80000%-Bond	-	500,030
Federal Natl Mtg Assn 1.15000%-Bond	-	499,830
CDAR-52 week term	500,000	500,000
CDAR-52 week term	500,000	500,000
CDAR-52 week term	500,000	-
CDAR-52 week term	500,000	-
Money Market	1,000,148	-
Total	\$ <u>3,020,249</u>	\$ <u>2,019,946</u>

Interest rate risk

In accordance with its investment policy, the Authority limits its exposure to declines in fair values by limiting the weighted average maturity of its investments in the Ohio Investment Pool to less than 12 months. Star Ohio's weighted average maturity was 60 days.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Investments in STAROhio are unclassified investments in the Ohio Subdivisions Fund. The Ohio Subdivisions Fund 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.

<u>2012 Investments</u>	<u>Fair Value</u>	<u>One Year</u>	<u>One to Five Years</u>
State Treasurer's Inv Pool (STAROhio)	\$ 20,101	\$ 20,101	-
Federal National Mortgage Assn. 0.8000% -CALLED	-	-	-
Federal National Mortgage Assn. 1.5000% -CALLED	-	-	-
CDAR-52 week -Maturity Date 4/18/2014	500,000	-	\$ 500,000
CDAR-52 week -Maturity Date 6/18/2013	500,000	-	500,000
CDAR-52 week -Maturity Date 6/18/2013	500,000	-	500,000
CDAR-2 year -Maturity Date 10/17/2013	500,000	-	500,000
<u>2011 Investments</u>			
State Treasurer's Inv Pool (STAROhio)	20,086	20,086	-
Federal National Mortgage Assn. 0.8000% -Maturity Date 10/17/2014	500,031	-	500,031
Federal National Mortgage Assn. 1.5000% -Maturity Date 10/26/2015	499,830	-	499,830

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

2. CASH AND CASH EQUIVALENTS (CONTINUED)

<u>2011 Investments</u>	<u>Fair Value</u>	<u>One Year</u>	<u>One to Five Years</u>
CDAR-52 week			
-Maturity Date 10/18/2012	\$ 500,000	-	\$ 500,000
 CDAR-52 week			
-Maturity Date 10/17/2012	500,000	-	500,000

Credit Risk

As of December 31, 2012, Standard & Poor's rated the Authority's investment in the State Treasurer's Pool AAAM, and the Authority's investment in both FNMA bonds AA+.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has a deposit policy for custodial credit risk. As of December 31, 2012 and 2011, \$0 and \$342,193, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counter party, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy limits investments to CDARs and StarOhio.

3. TAX REVENUES

A .25 percent sales tax levy expires in June of 2017. On May 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy until June of 2017. Revenue generated from the levy can be used for operating or capital purposes. The Authority receives cash from the sales tax levy when the related sales tax collections are distributed by the State of Ohio.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Capital Assets & Depreciation Balances	Beginning Balance <u>1/1/12</u>	<u>Additions</u>	<u>Disposal</u>	CIP <u>Transfer</u>	Ending Balance <u>12/31/12</u>
Capital Assets Not Being Depreciated:					
Land	\$ 882,672	\$ 50,000	\$ -	\$ -	\$ 932,672
Construction & Projects in Progress	<u>732,821</u>	<u>9,953,770</u>	<u>-</u>	<u>(5,164,263)</u>	<u>5,522,328</u>
Total Capital Assets Not Depreciated	1,615,493	10,003,770	-	(5,164,263)	6,455,000
Capital Assets Being Depreciated:					
Buildings & Improvements	16,130,119	-	(10,128)	-	16,119,991
Transportation Equipment	20,551,191	117,203	(3,099,649)	5,164,263	22,733,008
Other Equipment	<u>4,848,497</u>	<u>24,329</u>	<u>(218,938)</u>	<u>-</u>	<u>4,653,888</u>
Total Capital Assets being Depreciated	<u>41,529,807</u>	<u>141,532</u>	<u>(3,328,715)</u>	<u>5,164,263</u>	<u>43,506,887</u>
Total Capital Assets	43,145,300	10,145,302	(3,328,715)	-	49,961,887
Accumulated Depreciation:					
Buildings & Improvements	2,053,982	578,420	(181,673)	-	2,450,729
Transportation Equipment	9,184,839	2,459,387	(2,734,916)	-	8,909,310
Other Equipment	<u>3,247,442</u>	<u>573,636</u>	<u>(327,970)</u>	<u>-</u>	<u>3,493,108</u>
Total Accumulated Depreciation	<u>14,486,263</u>	<u>3,611,443</u>	<u>(3,244,559)</u>	<u>-</u>	<u>14,853,147</u>
Total Capital Assets, Net	\$ <u>28,659,037</u>	\$ <u>6,533,859</u>	\$ <u>(84,156)</u>	\$ <u>-</u>	\$ <u>35,108,740</u>

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2011 was as follows:

Capital Assets & Depreciation Balances	Beginning Balance <u>1/1/12</u>	<u>Additions</u>	<u>Disposal</u>	CIP <u>Transfer</u>	Ending Balance <u>12/31/12</u>
Capital Assets Not Being Depreciated:					
Land	\$ 337,795	\$ -	\$ -	\$ 544,877	\$ 882,672
Construction & Projects in Progress	<u>4,487,194</u>	<u>5,399,471</u>	<u>-</u>	<u>(9,153,844)</u>	<u>732,821</u>
Total Capital Assets Not Depreciated	4,824,989	5,399,471	-	(8,608,967)	1,615,493
Capital Assets Being Depreciated:					
Buildings & Improvements	13,874,889	-	-	2,255,230	16,130,119
Transportation Equipment	20,217,195	-	(4,731,173)	5,065,169	20,551,191
Other Equipment	<u>3,565,911</u>	<u>-</u>	<u>(5,982)</u>	<u>1,288,568</u>	<u>4,848,497</u>
Total Capital Assets being Depreciated	<u>37,657,995</u>	<u>-</u>	<u>(4,737,155)</u>	<u>8,608,967</u>	<u>41,529,807</u>
Total Capital Assets	42,482,984	5,399,471	(4,737,155)	-	43,145,300
Accumulated Depreciation:					
Buildings & Improvements	1,658,702	395,280	-	-	2,053,982
Transportation Equipment	11,278,631	2,635,344	(4,729,136)	-	9,184,839
Other Equipment	<u>2,887,857</u>	<u>362,233</u>	<u>(2,648)</u>	<u>-</u>	<u>3,247,442</u>
Total Accumulated Depreciation	<u>15,825,190</u>	<u>3,392,857</u>	<u>(4,731,784)</u>	<u>-</u>	<u>14,486,263</u>
Total Capital Assets, Net	\$ <u>26,657,794</u>	\$ <u>2,006,614</u>	\$ <u>(5,371)</u>	\$ <u>-</u>	\$ <u>28,659,037</u>

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

5. RETIREMENT BENEFITS

Plan Description

- A. All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), which 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 (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
 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.
- B. 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.
- C. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

5. RETIREMENT BENEFITS (CONTINUED)

- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, 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 Plan.

The 2012 member contribution rates were 10.00% for members in state and local classifications. Members in the public safety and law enforcement classifications contributed 11.00% and 11.60%, respectively.

The 2011 employer contribution rate for state employers was 14.00% of covered payroll. For law enforcement employers, and public safety employers, the contribution rate was 18.10% of covered payroll.

- F. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records. Due to contractual agreement with the Union, union employees pay 1.50% of their employee contribution, with the balance paid by the Authority. The Authority has opted to fund the full employee contribution amounts for non-union employees. The Authority's contributions for 2012, 2011, and 2010, were \$934,475, \$940,830 and \$901,390, respectively.

Post-Retirement Benefits

A. Plan Description

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 a 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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

5. RETIREMENT BENEFITS (CONTINUED)

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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

B. Funding Policy

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 2012, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees 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 for members in the Traditional Plan was 4.00% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on board action.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

5. RETIREMENT BENEFITS (CONTINUED)

Employees will be notified if the portion allocated to health care changes during the calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

C. Information from employer's records

OPERS. As part of this disclosure, it will be necessary for the employer to disclose the employer contributions actually made to fund post-employment benefits. The portions of the employer contributions used to fund post-employment benefits for 2012, 2011, and 2010, were \$271,868, \$268,795, and \$257,527 respectively.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees 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.

6. RESTRICTED ASSETS

During 2012, the Authority received insurance proceeds in the amount of \$100,000 for a bus that was deemed unsalvageable due to an accident. The proceeds will be used to offset a future bus purchase, thereby reducing the amount drawn from grant funds.

During 2010, the Authority had received insurance proceeds in the amount of \$38,899 for a bus that was totaled. The proceeds were used in 2012 to offset the purchase of a bus, thereby reducing the amount to be drawn from grant funds.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

7. 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 consists of the following:

Grants	<u>2012</u>	<u>2011</u>
State and Federal Prevention Maintenance	\$ 2,167,176	\$ 1,771,396
State/Local Capital	2,981,752	97,900
Federal Planning	66,623	11,856
Federal Capital & Operating	5,974,805	2,756,049
Federal JARC & New Freedom	407,953	212,855
ARRA Operating & Capital	<u>18,989</u>	<u>2,160,312</u>
Total Grants	11,617,298	7,010,368
 Reimbursements		
ODOT Fuel Tax Reimbursement	<u>125,428</u>	<u>142,943</u>
Total Reimbursements	<u>125,428</u>	<u>142,943</u>
 Total Grants and Reimbursements	 \$ <u>11,742,726</u>	 \$ <u>7,153,311</u>

8. 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 Association, Inc., (name changed to Ohio Transit Risk Pool in 2002 – OTRP) 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 nine (as of December 31, 2008) member transit agencies. The Authority pays an annual premium to OTRP for its general insurance coverage for losses greater than the Pool's retained losses. Quarterly, the Authority pays into a loss and administration fund pursuant to OTRP's bylaws to fund this retained layer. The Agreement of Formation of OTRP provides that OTRP will be self-sustaining through member contributions and will purchase coverage in excess of the Pool retained amount through commercial companies with an industry standard rating of A or better. All retained amounts and limits listed are per occurrence. Coverage is granted per occurrence.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

8. RISK MANAGEMENT (CONTINUED)

Current coverage is purchased for commercial property losses in excess of \$100,000 with limits up to \$200,000,000 and for Auto Physical Damages losses in excess of \$250,000 with limits up to \$50,000,000. Additionally, coverage is purchased for all covered liability claims in excess of \$1,000,000 with limits up to \$7,500,000 for automobile liability and \$5,000,000 for all other liability coverage. The Authority is responsible for the first \$1,000 of any property and/or liability claim or occurrence, and any amounts above the per occurrence limit of coverage.

OTRP also provides coverage for Boiler & Machinery with limits of \$50,000 per occurrence and Crime and Fidelity with limits of \$4,000,000. OTRP purchases a public officials bond for the Authority's fiscal officer(s) as required by ORC Section 306.42.

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.

The authority does have a policy relating to the credit risk of investments.

9. LEASES

The Authority entered into a fifty-nine (59) year lease with Charles Street Associates, LTD in July 1998, for a transfer station in Massillon, Ohio. The Authority has two additional options for 20 years each to extend the lease with the lessor. Annual rental is \$1 during the primary term of the lease. The Authority agreed to contribute \$2,000,000 for leasehold improvements at the facility and included same in building improvements in capital assets.

10. CONTINGENCIES

Federal and State Grants – Under the terms of the 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, 2012, 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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

11. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 21, 2013, (prior year financials) the date the financial statements were available to be issued.

12. CHANGES IN ACCOUNTING POLICY

During 2012, the Authority implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance including in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Authority also implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" during 2012. This Statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and has provided a framework that specifies where deferred outflows of resources and deferred inflows of resources—as well as assets and liabilities—should be displayed. The Statement also discusses how net position—no longer net assets—should be displayed.

13. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 65, Elements of Financial Statements, which specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement 4. Based on those definitions, Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of this Statement are effective for periods beginning after December 15, 2012.

The Authority has not completed an analysis of the impact of these statements on its reported financial condition and results of operation.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2012 and 2011

14. RECLASSIFICATION

Certain accounts in the 2011 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2012 financial statements.



Statistical Section 2012

This part of SARTA's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes to the financials, and required supplementary information says about the government's overall financial health.

Contents/Page Number

Financial Trends (Pages 46-47)

These schedules contain trend information to help the reader understand how SARTA's financial performance and well-being have changed over a six year period as ten year data is unavailable.

Revenue Capacity (Pages 48-50)

These schedules contain information to help the reader assess SARTA's most significant local revenue source, the ¼% Sales Tax.

Operating Information (Pages 51-54)

These schedules contain ridership and infrastructure data to help the reader understand how the information in SARTA's financial report relates to the services SARTA provides and the activities we perform.

Debt Capacity (Page 55)

These schedules present information to help the reader assess the affordability of SARTA's current levels of outstanding debt and our ability to issue debt in the future.

Demographic and Economic (Pages 56-63)

These schedules offer demographic and economic indicators to help the reader understand the environment within which SARTA's financial activities take place.



Financial Trend Information 2012

(Unaudited)

Table 1 – Net Assets

Table 2 – Changes in Net Assets and Changes in Fund Balances

STARK AREA REGIONAL TRANSIT AUTHORITY
NET POSITION BY COMPONENT
FOR THE LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

Table 1

	2012	2011	2010	2009	2008	2007	2006
NET POSITION							
Net Investment in Capital Assets	\$ 35,108,740	\$ 28,659,037	\$ 26,657,794	\$ 22,070,412	\$ 21,386,347	\$ 20,436,088	\$ 19,545,695
Restricted	100,000	38,899	38,899	-	-	75,384	-
Unrestricted	7,778,378	7,671,591	6,574,635	3,533,639	3,599,239	3,104,616	3,207,574
TOTAL NET POSITION	\$ 42,987,118	\$ 36,369,527	\$ 33,271,328	\$ 25,604,051	\$ 24,985,586	\$ 23,616,088	\$ 22,753,269

* Data for 2002-2004 not accessible

STARK AREA TRANSIT AUTHORITY
CHANGES IN NET POSITION/FUND BALANCES
FOR THE LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
(Unaudited)

Table 2

	2012	2011	2010	2009	2008	2007	2006
OPERATING REVENUES							
Passenger Fares.....	\$ 1,111,074	\$ 1,069,426	\$ 1,051,643	\$ 1,052,755	\$ 1,184,354	\$ 1,024,118	\$ 959,445
Special Transit Fares.....	553,229	684,507	529,091	491,479	480,272	383,994	226,553
Auxiliary Transportation Revenue.....	72,972	60,939	22,176	37,570	23,116	30,402	32,711
TOTAL OPERATING REVENUES	\$ 1,737,275	\$ 1,814,872	\$ 1,602,910	\$ 1,581,804	\$ 1,687,742	\$ 1,438,514	\$ 1,218,709
OPERATING EXPENSES							
Labor.....	\$ 5,902,311	\$ 5,808,570	\$ 5,566,669	\$ 5,898,232	\$ 6,124,933	\$ 6,085,584	\$ 6,237,295
Fringe Benefits.....	4,785,964	4,221,636	4,143,021	4,844,810	4,591,727	4,546,981	4,852,882
Materials & Supplies.....	3,085,079	2,512,522	2,198,564	2,367,522	2,795,146	2,299,169	1,914,954
ODOT Fuel Tax Reimbursement	(125,428)	(142,943)					
Services.....	998,807	884,687	728,318	570,908	541,850	635,497	763,943
Utilities.....	326,085	237,395	241,461	277,368	292,402	289,131	285,521
Casualty & Liability.....	388,802	368,469	617,237	377,719	341,309	757,927	708,362
Leases & Rentals.....	237	2,930	1,738	7,998	12,693	14,012	11,044
Miscellaneous.....	236,161	322,725	356,638	241,921	197,431	117,571	121,012
TOTAL OPERATING EXPENSES							
Before Depreciation Expense.....	\$ 15,598,018	\$ 14,215,991	\$ 13,853,646	\$ 14,586,478	\$ 14,897,491	\$ 14,745,872	\$ 14,895,013
OPERATING LOSS							
Before Depreciation Expense.....	\$ (13,860,743)	\$ (12,401,119)	\$ (12,250,736)	\$ (13,004,674)	\$ (13,209,749)	\$ (13,316,181)	\$ (13,676,303)
Depreciation Expense.....	3,611,443	3,415,401	1,911,419	1,717,793	1,719,897	1,827,642	2,301,805
OPERATING LOSS.....	\$ (17,472,186)	\$ (15,816,520)	\$ (14,162,155)	\$ (14,722,467)	\$ (14,929,646)	\$ (15,143,823)	\$ (15,978,108)
NON OPERATING REVENUES (EXPENSES)							
Sales Tax Proceeds.....	\$ 12,636,571	\$ 12,017,178	\$ 11,367,468	\$ 10,408,166	\$ 11,799,986	\$ 11,897,832	\$ 11,683,697
Operating Grants and Reimbursements	\$ 3,144,395	\$ 2,669,878	\$ -	\$ -			
Federal Preventative Maintenance.....	-	-	1,841,668	1,909,366	2,089,920	1,738,436	1,228,565
Federal Capital & Operating Grants.....	-	-	2,010,817	656,624			
State Preventative Maintenance.....	-	-	25,380	284,323	187,423	249,548	301,053
Elderly & Disables Assistance.....	-	-	372,917	346,642	498,892	202,580	100,641
Federal Planning Grants.....	-	-	190,354	35,290	127,683	-	-
Investment/Interest Income.....	9,979	1,534	19,799	230	1,329	6,523	26,928
Interest Expense	-	-	-	(1,076)	(9,981)	-	-
Sales Tax Collection Expense (Note 1).....	(125,115)	(120,172)	(112,509)	(104,082)	(118,000)	(136,935)	(138,075)
Gain (Loss) on Disposal.....	(75,508)	(16,379)	(13,259)	2,667	(4,693)	(3,518)	(3,046)
Non-transportation Revenue.....	26,552	22,190	32,079	20,065	24,971	16,638	20,573
Special Item*.....	-	-	(79,708)	(30,000)	(22,625)	(30,343)	-
NON OPERATING REVENUES/EXPENSES - NET.	\$ 15,616,874	\$ 14,574,229	\$ 15,655,006	\$ 13,528,215	\$ 14,574,905	\$ 13,940,761	\$ 13,220,336
CAPITAL GRANT REVENUE							
Federal Capital Grant.....	\$ 5,391,151	\$ 4,203,691	\$ 5,674,426	\$ 1,812,717	\$ 1,724,239	\$ 2,065,881	\$ 3,519,606
State/Local Capital Grant.....	2,981,752	97,900	500,000	-	-	-	-
Restricted Federal Capital Grant	100,000	38,899	-	-	-	-	-
TOTAL CAPITAL GRANTS.....	\$ 8,472,903	\$ 4,340,490	\$ 6,174,426	\$ 1,812,717	\$ 1,724,239	\$ 2,065,881	\$ 3,519,606
CHANGE IN NET POSITION.....							
Net Position, Beginning Balance.....	\$ 36,369,527	\$ 33,271,328	\$ 25,604,051	\$ 24,985,586	\$ 23,616,088	\$ 22,753,269	\$ 22,040,782
Prior Period Auditor Adjustments.....	-	-	-	-	-	-	(49,347)
Net Position, Ending Balance.....	\$ 42,987,118	\$ 36,369,527	\$ 33,271,328	\$ 25,604,051	\$ 24,985,586	\$ 23,616,088	\$ 22,753,269

* 2007, 2008, 2011, 2012- Non-recurring Legal Expense
2009 Employee Settlements
2010 Employee Settlements & IRS Settlements
2011 E&H \$0
Data for Years 2002 - 2004 not accessible



Revenue Capacity Information 2012

(Unaudited)

Table 3 – Revenue Base

Table 4 – Passenger Revenue Rates

Table 5 – Sales Tax Revenue



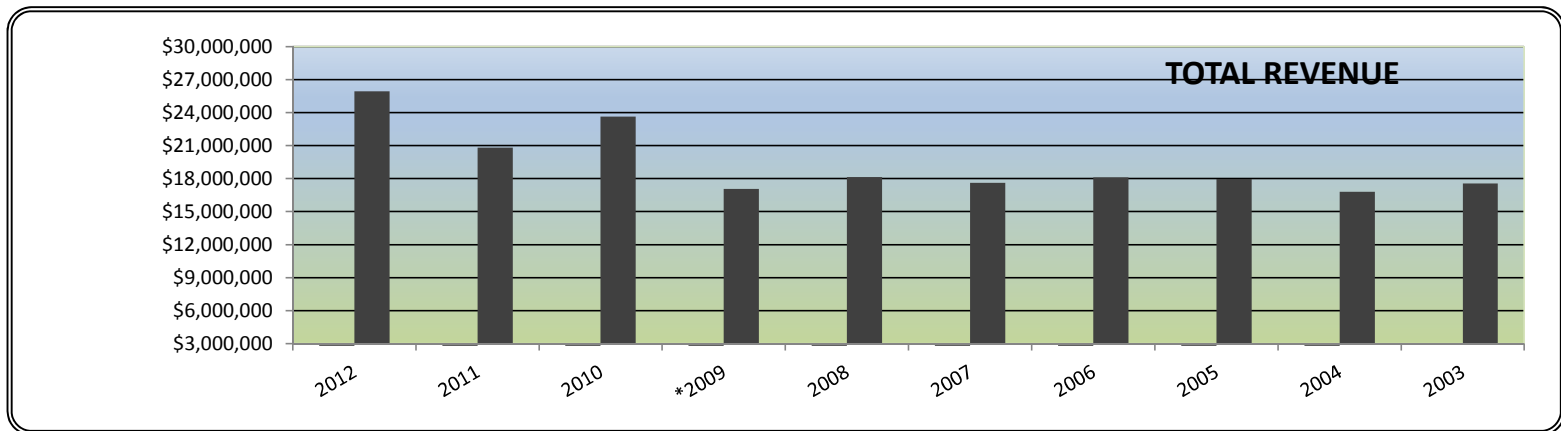
**STARK AREA REGIONAL TRANSIT AUTHORITY
REVENUE BASE FOR THE LAST TEN FISCAL YEARS**

Rounded to The Nearest Dollar

(Unaudited)

Table 3

	2012	2011	2010	*2009	2008	2007	2006	2005	2004	2003
FARES	\$1,737,275	\$1,814,872	\$1,580,734	\$1,544,234	\$1,664,626	\$1,408,112	\$1,187,321	\$1,098,105	\$1,001,469	\$951,052
SALES TAX	\$12,636,571	\$12,017,178	\$11,367,468	\$10,408,166	\$11,799,986	\$11,897,832	\$11,683,697	\$11,384,241	\$11,430,900	\$10,739,684
FEDERAL:										
Operating Grants	\$3,144,395	\$2,669,878	\$553,684	\$643,655	\$0	\$0	\$0	\$0	\$0	\$37,699
Capital Grant Reimbursements	\$5,391,151	\$4,203,691	\$9,163,581	\$3,770,342	\$3,941,842	\$3,804,317	\$4,748,171	\$4,815,072	\$3,444,397	\$4,743,099
STATE:										
Operating Grants										
Special Fare Assistance	\$0	\$0	\$372,917	\$346,642	\$498,892	\$202,580	\$100,641	\$97,639	\$54,256	\$120,453
Capital Grant Reimbursements	\$0	\$0	\$525,380	\$284,323	\$187,423	\$249,548	\$301,053	\$455,121	\$780,873	\$912,099
LOCAL:										
Operating Grants										
Reimbursement	\$2,981,752	\$97,900	\$0	\$0	\$0	\$0	\$0	\$0	\$6,820	\$17,500
Nontransportation	\$26,522	\$22,190	\$32,079	\$20,065	\$24,971	\$16,638	\$20,573	\$20,884	\$40,933	\$11,041
Misc Income	\$0	\$0	\$41,975	\$37,800	\$24,445	\$36,925	\$58,316	\$91,043	\$26,318	\$15,785
	\$25,917,666	\$20,825,709	\$23,637,818	\$17,055,227	\$18,142,185	\$17,615,952	\$18,099,772	\$17,962,105	\$16,785,966	\$17,548,412



* The 2009 recession hit the county hard and 2010 was a year of recovery. Sales tax collections (which are an indicator of health and / or declines) hit a low not experienced since SARTA went county wide, but began recover in 2010.

STARK AREA REGIONAL TRANSIT AUTHORITY
2009 PASSENGER REVENUE RATES
(As of 12/31/2012)

Table 4

TICKET/PASS	SINGLE FARE	10-RIDE	31-DAY
ROUTE	TICKET	TICKET	PASS
REGULAR FIXED ROUTE	\$1.50	\$15.00	\$45.00
REDUCED FIXED ROUTE	\$0.75	\$7.50	\$22.50
PROLINE/CURB TO CURB	\$2.25	\$22.50	\$63.00
STUDENT FIXED ROUTE			\$27.50
Non-ADA Proline	\$3.50		
Day Pass	\$3.00		

Note:

Regular Fare - For passengers ages 6-64 (eligible for free fixed route transfer).

Reduced Fare - For passengers 65 years or older, those with disability, or Medicare cardholders. For the \$.60 cash fare, riders should show documentation, or buy tickets from Customer Service.

Student Fare - The Student 31-Day Pass is the only student fare and is available for riders 6-18 years of age. Students need to pay \$1.25 unless showing a 31-Day Pass, Day Pass, or Transfer.

Paratransit (Proline) - For passengers registered with the ADA Curb-to-Curb program. Proline operates in all of Stark County. Passengers not registered with the ADA program will pay the NON-ADA Fare.

31-Day Pass - Good for 31 days from the first time it is farebox activated.

Children - Passengers ages 5 and under fare free.

Day Pass - Good for unlimited rides from the time of issue until the end of service for the day.

Non ADA Proline - (1) For passengers who do not have a client number and who are merely accompanying a Proline rider. (2) For a senior, 65 or older without a Proline client number, who arranges a ride through Proline (based on availability).

STARK AREA REGIONAL TRANSIT AUTHORITY
SALES TAX REVENUE
(Unaudited)

Table 5

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
SALES TAX REVENUE	\$12,636,571	\$12,017,178	\$11,367,468	\$10,408,166	\$11,799,986	\$11,897,832	\$11,683,697	\$11,384,241	\$11,430,900	\$10,739,684
POPULATION*	374,868	375,087	375,586	379,466	379,214	378,664	380,575	380,275	380,421	380,076
SALES TAX PER CAPITA	\$33.71	\$32.04	\$30.27	\$27.43	\$31.12	\$31.42	\$30.70	\$29.94	\$30.05	\$28.26

* Population

US Census Bureau Annual Estimates of the Population for the Counties of Ohio



Operating Information 2012

(Unaudited)

Table 6 – Employees & Labor Classification

Table 7 – Operating Indicators

Table 8 – Expenses by Source/Object

Table 9 – Capital Asset Statistics

STARK AREA REGIONAL TRANSIT AUTHORITY
NUMBER OF EMPLOYEES AND LABOR CLASSIFICATION
(Unaudited)

Table 6

CLASSIFICATION / YEAR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
VEHICLE OPERATIONS	132	144	137	143	149	148	149	149	149	150
VEHICLE MAINTENANCE	28	28	28	28	29	28	30	29	23	32
NON-VEHICLE MAINTENANCE	3	3	2	3	2	3	3	3	7	2
GENERAL ADMINISTRATION	18	16	12	13	22	21	20	22	30	17
TOTAL OPERATING LABOR	181	191	179	187	202	200	202	203	209	201
TOTAL CAPITAL LABOR	0	0	0	9	9	8	2	2	0	0
TOTAL LABOR	181	191	179	196	211	208	204	205	209	201

STARK AREA REGIONAL TRANSIT AUTHORITY
OPERATING INDICATORS
(Unaudited)

Table 7

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<u>System Ridership</u>										
Fixed Route	2,502,299	2,309,425	1,959,470	1,995,218	2,303,725	2,034,437	2,098,200	1,814,412	1,299,848	1,157,633
Paratransit	139,992	128,034	128,905	138,217	148,193	156,550	158,622	150,178	135,450	112,756
Shuttles and Specials	16,607	10,636	19,958	30,702	78,012	79,017	92,155	64,008	27,952	N/A
<u>Average Weekday System Ridership</u>										
Fixed Route	8,719	8,053	6,940	7,187	7,828	6,627	6,773	6,146	3,561	3,771
Paratransit	455	457	461	495	523	510	566	533	371	367
<u>Average Weekday Miles Operated</u>										
Fixed Route	8,695	7,592	7,465	7,800	7,899	7,798	8,597	8,711	6,954	7,083
Paratransit	4,404	3,905	4,176	3,752	3,912	4,637	4,880	4,718	4,455	2,836
<u>Revenue Miles</u>										
Fixed Route	2,119,345	2,256,733	2,116,316	2,324,483	2,518,321	2,479,147	2,519,313	2,561,836	2,414,981	2,528,612
Paratransit	1,132,028	977,902	1,026,751	1,207,790	1,118,488	1,321,761	1,220,104	1,183,973	1,097,628	1,012,374
<u>Passenger Miles</u>										
Fixed Route	12,616,719	11,464,591	9,916,934	10,149,079	11,540,775	9,449,219	7,892,852	7,442,335	3,899,544	3,472,899
Paratransit	1,221,319	1,201,757	1,193,861	1,340,807	1,475,840	1,429,668	1,385,939	1,268,802	1,140,136	778,016
<u>Energy Consumption</u>										
Gallons of CNG & diesel/biodiesel	573,162	529,331	534,326	575,616	612,542	658,278	646,562	586,863	566,079	607,845
Cost	1,841,540	\$1,603,873	\$1,245,736	\$1,486,250	\$1,886,629	\$1,579,867	\$1,430,134	\$876,015	\$705,429	\$604,601
Avg Cost Per Gallon	\$3.21	\$3.03	\$2.33	\$3.08	\$2.40	\$2.21	\$2.21	\$1.25	\$0.99	\$1.05
<u>Fleet Requirement</u>										
Fixed Route	34	34	32	35	38	34	34	35	36	36
Paratransit	23	23	23	23	25	24	24	26	44	42
<u>Total Active Vehicles</u>										
Fixed Route	39	38	38	40	82	79	82	42	49	49
Paratransit	41	42	42	43	42	45	41	42	44	42
<u>Number of Employees</u>										
Full Time Equivalent	190	191	179	187	209	208	204	214	202	199

* Ridership increased due to rising fuel costs.

** Source National Transit Database

STARK AREA REGIONAL TRANSIT AUTHORITY
EXPENSES BY SOURCE - LAST TEN YEARS
Rounded to The Nearest Dollar
(Unaudited)

Table 8

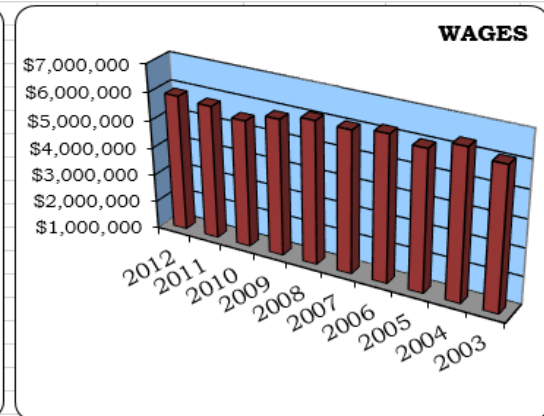
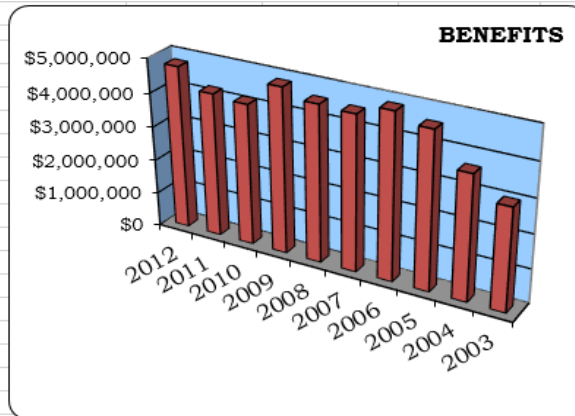
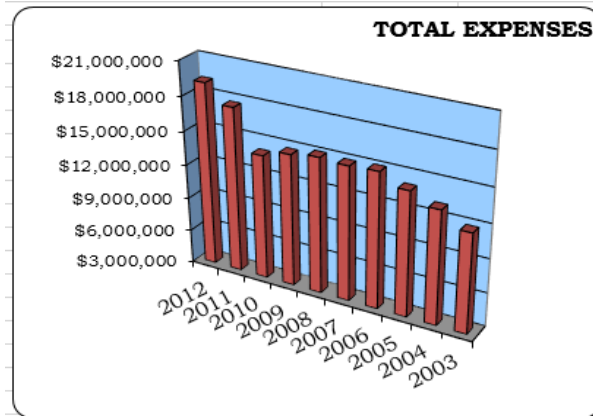
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Labor	\$5,902,311	\$5,808,570	\$5,566,669	\$5,898,232	\$6,124,933	\$6,085,584	\$6,237,294	\$6,039,734	\$6,381,800	\$5,680,342
Fringe Benefits	\$4,785,964	\$4,221,636	\$4,143,021	\$4,844,810	\$4,591,727	\$4,546,981	\$4,852,882	\$4,597,730	\$3,652,213	\$3,810,667
General & Administrative	\$4,909,743	\$4,185,785	\$4,349,432	\$3,978,594	\$4,331,437	\$4,284,104	\$3,945,957	\$3,409,947	\$3,062,213	\$2,703,210
Depreciation	\$3,611,443	\$3,415,401	\$1,911,419	\$1,717,793	\$1,719,897	\$1,827,642	\$2,301,806	\$2,439,508	\$2,425,655	\$2,636,151
	\$19,209,461	\$17,631,392	\$15,970,541	\$16,439,429	\$16,767,994	\$16,744,311	\$17,337,939	\$16,486,919	\$15,521,881	\$14,830,370

EXPENSES BY OBJECT - LAST TEN YEARS
Rounded to The Nearest Dollar
(Unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Wages	\$5,902,311	\$5,808,570	\$5,566,669	\$5,898,232	\$6,124,933	\$6,085,584	\$6,237,294	\$6,039,734	\$6,381,800	\$6,103,474
Benefits	\$4,785,964	\$4,221,636	\$4,143,021	\$4,844,810	\$4,591,727	\$4,546,981	\$4,852,882	\$4,597,730	\$3,652,213	\$3,009,814
Services	\$998,807	\$884,687	\$728,318	\$570,908	\$541,850	\$635,497	\$763,944	\$743,478	\$434,676	\$497,825
Supplies **	\$2,959,651	\$2,369,740	\$2,198,564	\$2,367,522	\$2,795,146	\$2,299,169	\$1,914,954	\$1,778,542	\$1,207,937	\$1,254,734
Utilities	\$326,085	\$237,395	\$241,461	\$277,368	\$292,402	\$289,131	\$285,521	\$230,473	\$203,814	\$194,100
Casualty & Liability **	\$388,802	\$368,469	\$617,237	\$377,719	\$341,309	\$757,928	\$708,362	\$598,556	\$671,035	\$609,618
Depreciation	\$3,611,443	\$3,415,401	\$1,911,419	\$1,717,793	\$1,719,897	\$1,827,642	\$2,301,806	\$2,439,508	\$2,425,655	\$2,376,075
Miscellaneous Expenses	\$236,398	\$325,494	\$563,852	\$385,077	\$360,730	\$307,683	\$273,177	\$58,898	\$544,751	\$162,596
Total Expenses	\$19,209,461	\$17,631,392	\$14,059,122	\$14,721,636	\$15,048,097	\$14,921,973	\$15,036,134	\$14,047,411	\$13,096,226	\$11,832,161

Depreciation totals are not reflected in the Total Expenses. This category is used for accounting purposes.

** Later years reflect rising insurance & fuel costs.





Debt Capacity Information 2012

(Unaudited)

Table 10 – Debt Service

STARK AREA REGIONAL TRANSIT AUTHORITY
Debt Service
(Unaudited)

Table 10

YEAR	REVENUES (1)	EXPENSES (2)	DEBT SERVICE	PRINCIPAL	INTEREST	DEBT (3)	COVERAGE
2012	\$25,827,052	\$15,598,018	\$10,229,034				
2011	20,729,589	14,473,148	6,256,441				
2010	23,637,818	14,059,122	9,578,696				
2009	17,055,227	14,721,636	2,333,591				
2008	18,142,185	15,052,791	3,089,394	\$398,908	\$9,981	\$408,889	7.56
2007	17,615,952	14,916,670	2,699,282				
2006	18,099,772	15,174,207	2,925,565				
2005	17,962,105	14,047,411	3,914,694				
2004	16,785,966	13,096,226	3,689,740				
2003	17,548,412	12,244,067	5,304,345				

- (1) Gross revenues include interest, planning grants, special fares assistance, local grants, and other non-operating revenues.
- (2) Total expenses exclusive of depreciation and inclusive of loss on disposal of assets and sales tax administrative charge.
- (3) Huntington National Bank Line of Credit principal and interest.

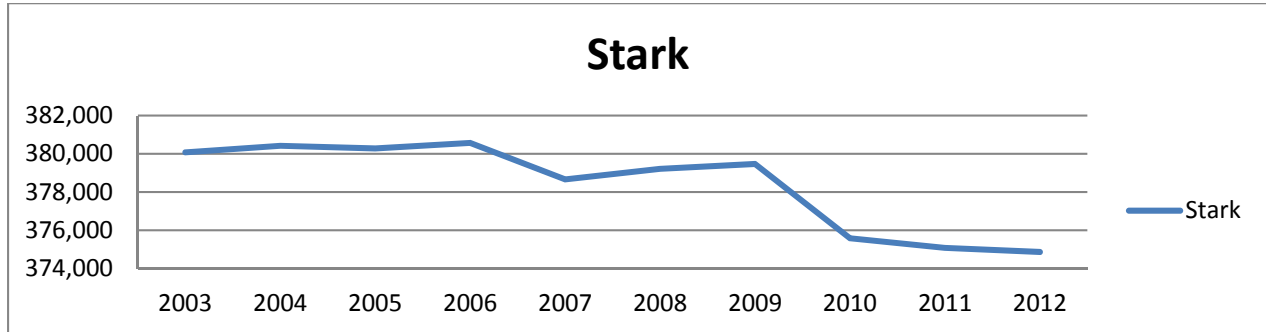


Economic & Demographic Information 2012

The Economic & Demographic Section includes the Economic Condition and Outlook for Stark County, selected Stark County Demographics, and a list of Major Employers in the county.

ECONOMIC CONDITION AND OUTLOOK

Stark County, Ohio covers an area of 567 square miles. SARTA’S service area is within the boundaries of Stark County, Ohio. The County consists of nineteen municipalities (cities and villages) and seventeen townships. The seat of the county government is the City of Canton.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Stark	380,076	380,421	380,275	380,575	378,664	379,214	379,466	375,586	375,087	374,868

Source: Stark County Quick facts from the US Census Bureau
 Link: <http://quickfacts.census.gov>

Ten years ago manufacturing jobs drove the economy in Stark County. During the past ten years Stark County has transitioned from a manufacturing base to a health, education, and social services based economy. According to estimates from the U.S. Bureau of Labor Statistics manufacturing jobs declined by nearly a third from 2003 to 2012.

The Unemployment rate continues to trend upwards despite the growth in non-manufacturing jobs. The jobs created by the non-manufacturing sector have not been numerous enough to outpace the loss of manufacturing jobs.

Stark County Major Employers

2012

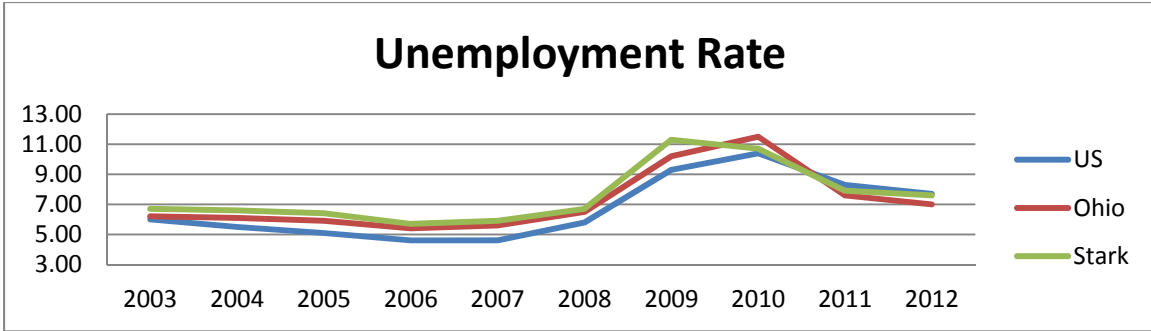
Employer	Nature of Business	Employees	Percentage of Total County Employment
Aultman Hospital	Health Care	5,000	0.0133
The Timken Company	Manufacturing, Steel and Tapered Roller Bearings	4,762	0.0127
Stark County Government	Government	2,781	0.0074
Mercy Medical Center	Health Care	2,507	0.0067
Diebold, Inc	Computer Services, Finance	2,054	0.0055
Alliance Community Hospital	Health Care	1,135	0.0030
Freshmark, Inc	Meat Processing	985	0.0026
Giant Eagle	Retail Sales - Groceries, Drugs & Sundries	956	0.0026
GE Money	Credit Card Services	922	0.0025
Affinity Hospital	Health Care	890	0.0024
	Total County employment	21,992	0.0587
2012 population		374,868	

2000

Employer	Nature of Business	Employees	Percentage of Total County Employment
The Timken Company	Manufacturing, Steel and Tapered Roller Bearings	6,108	0.0162
Aultman Hospital	Health Care	3515	0.0093
Stark County Government	Government	2852	0.0075
Republic Engineered Steel		2800	0.0074
Maytag-Hoover		2750	0.0073
Mercy Medical Center	Health Care	2700	0.0071
Canton City Board of Education		1794	0.0047
Diebold, Inc	Computer Services, Finance	1578	0.0042
The Akron Corp		1250	0.0033
	Total County employment	25,347	0.067
2000 population		378,098	

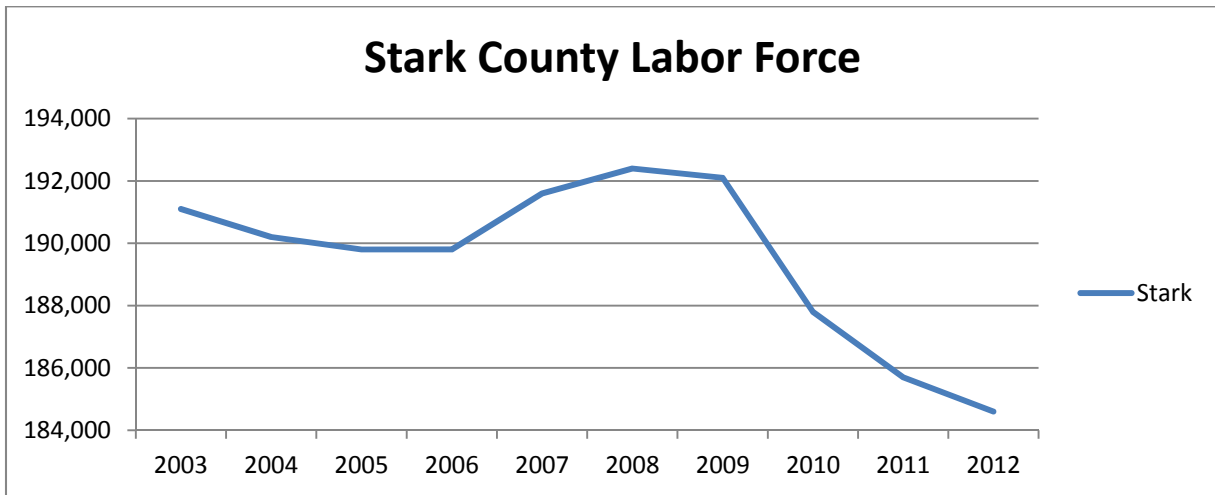
*1 - Source: U.S. Census Bureau, factfinder2.census.gov

*2 - Source: U.S. Census Bureau, Census 2000 Summary File 1, Matrices P27, P28, P29, P30, and PCT15, factfinder2.census.gov



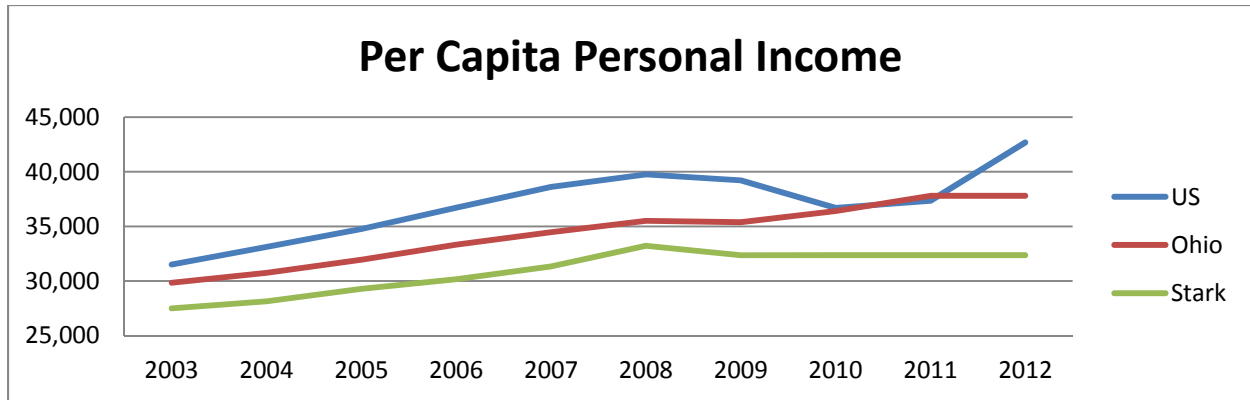
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
US	6.00	5.50	5.10	4.60	4.60	5.80	9.30	10.40	8.30	7.70
Ohio	6.20	6.10	5.90	5.40	5.60	6.50	10.20	11.50	7.60	7.00
Stark	6.70	6.60	6.40	5.70	5.90	6.70	11.30	10.70	7.90	7.30

Source: Ohio Department of Job and Family Services
 Link: ohiolmi.com



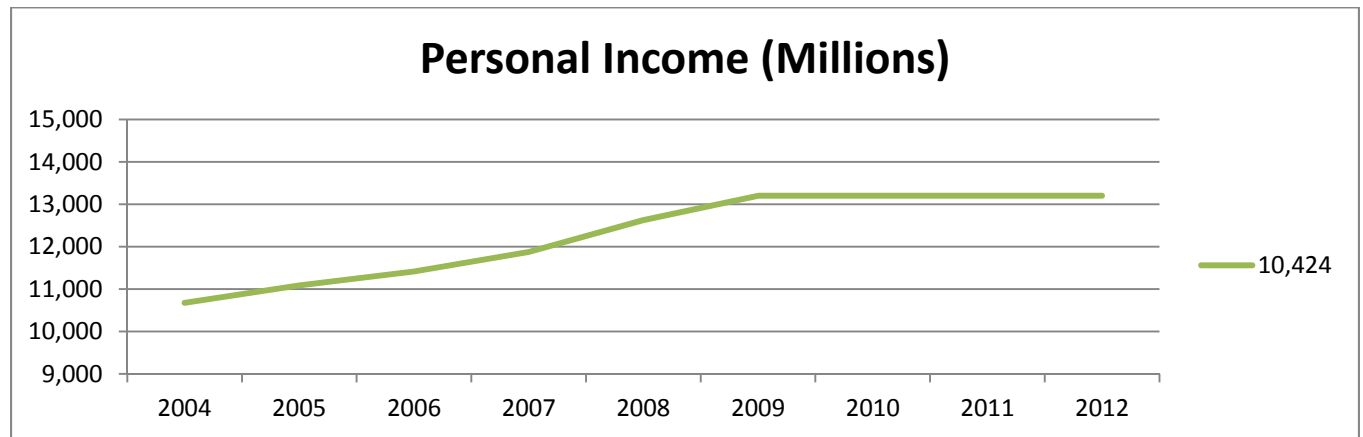
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Stark	191,100	190,200	189,800	189,800	191,600	192,400	192,100	187,800	185,700	184,600

Source: Ohio Department of Job and Family Services
 Link: ohiolmi.com



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
US	31,504	33,123	34,757	36,714	38,611	39,751	39,212	36,697	37,345	42,693
Ohio	29,831	30,744	31,939	33,320	34,468	35,511	35,381	36,395	37,791	37,791
Stark	27,486	28,137	29,271	30,150	31,331	33,221	32,356	32,356	32,356	32,356

Source: Bureau of Economic Analysis, US Department of Commerce



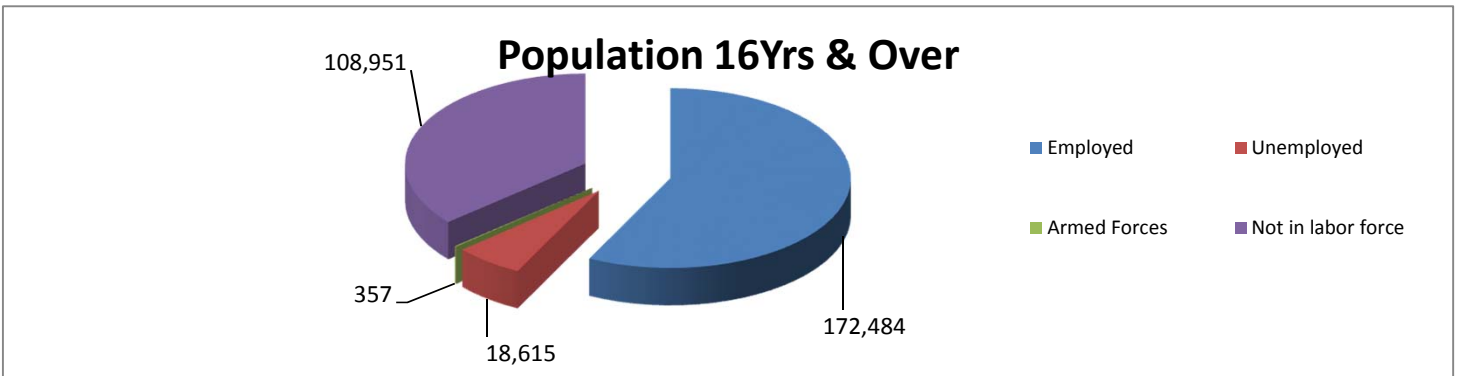
Personal Income (millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
US	9,150,320	9,711,363	10,284,356	10,968,393	11,645,882	12,233,500	12,097,700	12,701,052	13,105,700	13,602,600
Ohio	341,146	352,103	366,017	381,963	399,897	407,874	407,874	425,614	436,297	436,297
Stark Co	10,424	10,675	11,088	11,414	11,876	12,627	13,201	13,201	13,201	13,201

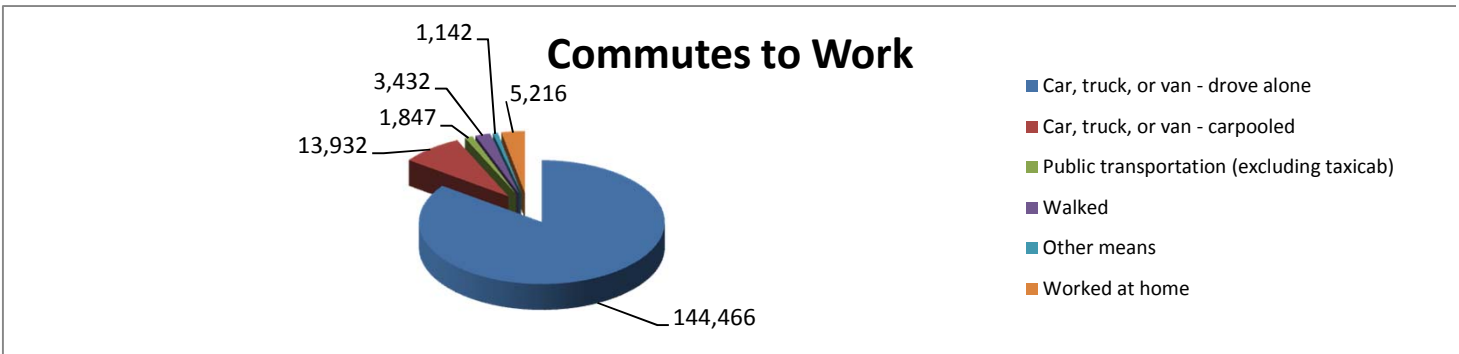
Source: Bureau of Economic Analysis, US Department of Commerce
 Link: www.bea.gov

STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
2010 Community Survey*
 US Census Bureau / American Fact Finder

Employment Status	Number	Percent
Population 16 Years and Over	300,407	100%
Employed	172,484	57.42%
Unemployed	18,615	6.20%
Armed Forces	357	0.12%
Not in labor force	108,951	36.27%



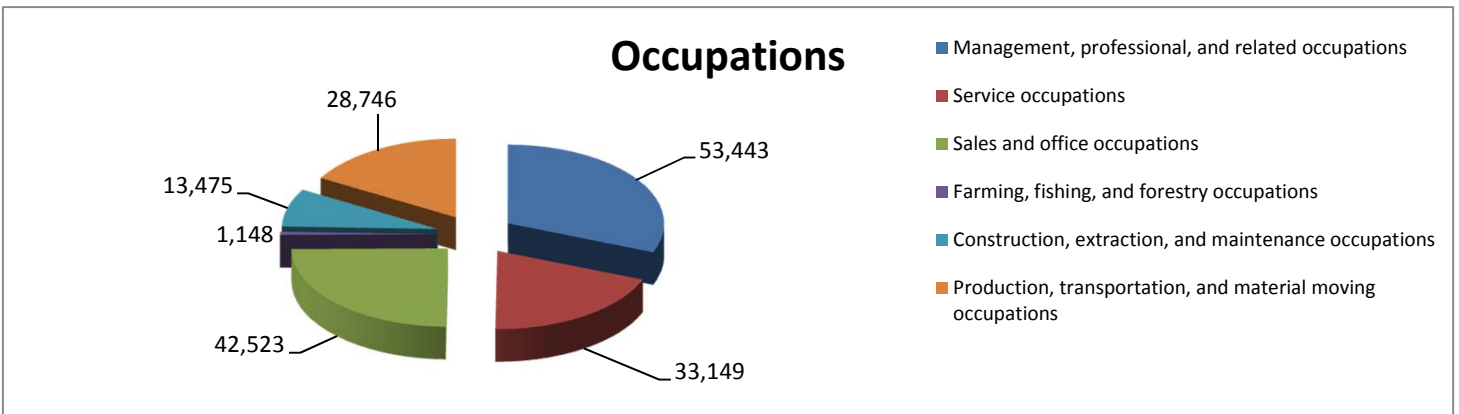
Commuting to Work	Number	Percent
Workers 16 years and over	169,035	100%
Car, truck, or van - drove alone	144,466	85.47%
Car, truck, or van - carpooled	13,932	8.24%
Public transportation (excluding taxicab)	1,847	1.09%
Walked	3,432	2.03%
Other means	1,142	0.68%
Worked at home	5,216	3.09%
Mean travel time to work (minutes)	21.4	



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
 2010 Community Survey*

DEMOGRAPHICS (CONT'D)

Occupation		
Employed Civilian Population 16 Years and Over	172,484	100%
Management, professional, and related occupations	53,443	30.98%
Service occupations	33,149	19.22%
Sales and office occupations	42,523	24.65%
Farming, fishing, and forestry occupations	1,148	0.67%
Construction, extraction, and maintenance occupations	13,475	7.81%
Production, transportation, and material moving occupations	28,746	16.67%



STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY DEMOGRAPHICS

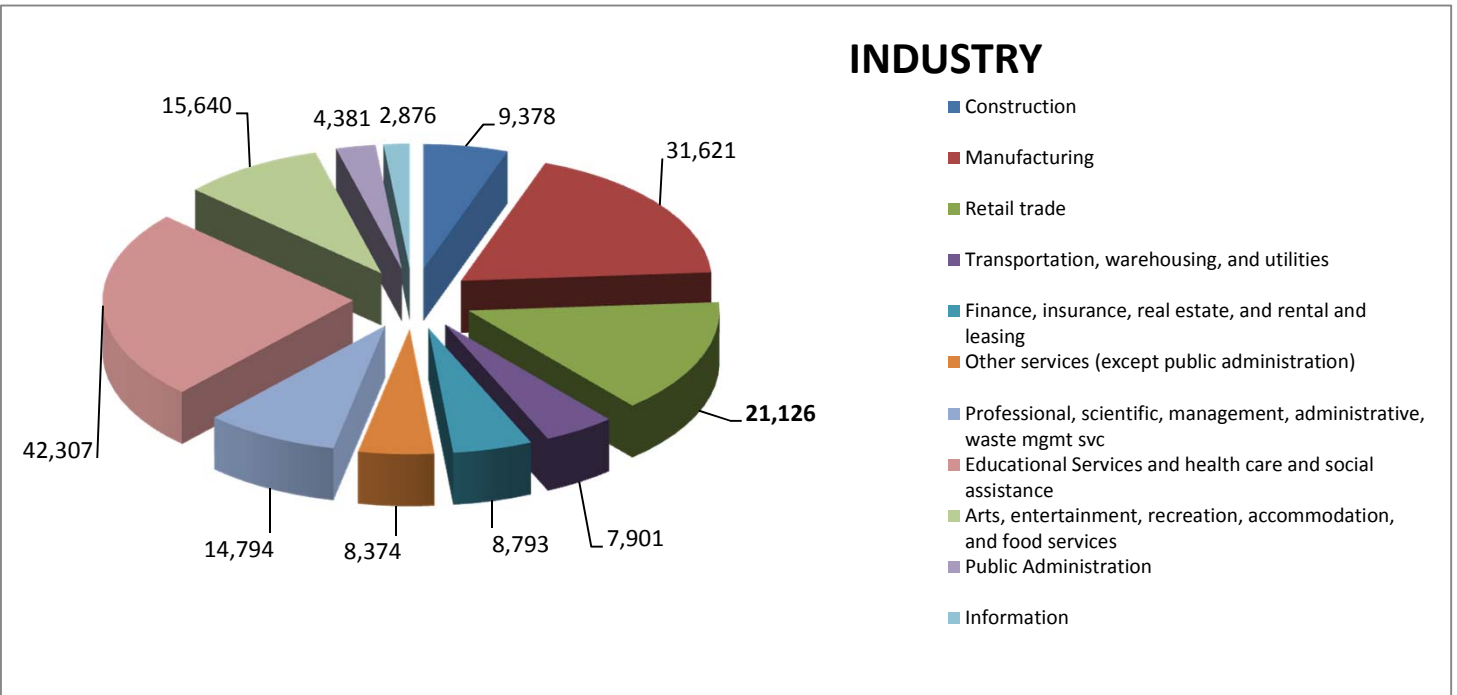
2010 Community Survey*

DEMOGRAPHICS (CONT'D)

Industry

Industry	Count	Percentage
Employed Civilian Population 16 Years and Over	172,484	100%
Agriculture, forestry, fishing and hunting, mining	1,148	0.67%
Construction	9,378	5.44%
Manufacturing	31,621	18.33%
Retail trade	25,271	14.65%
Transportation, warehousing, and utilities	7,901	4.58%
Finance, insurance, real estate, and rental and leasing	8,793	5.10%
Other services (except public administration)	8,374	4.85%
Professional, scientific, management, administrative, waste mgmt svc	14,794	8.58%
Educational Services and health care and social assistance	42,307	24.53%
Arts, entertainment, recreation, accommodation, and food services	15,640	9.07%
Public Administration	4,381	2.54%
Information	2,876	1.67%

INDUSTRY



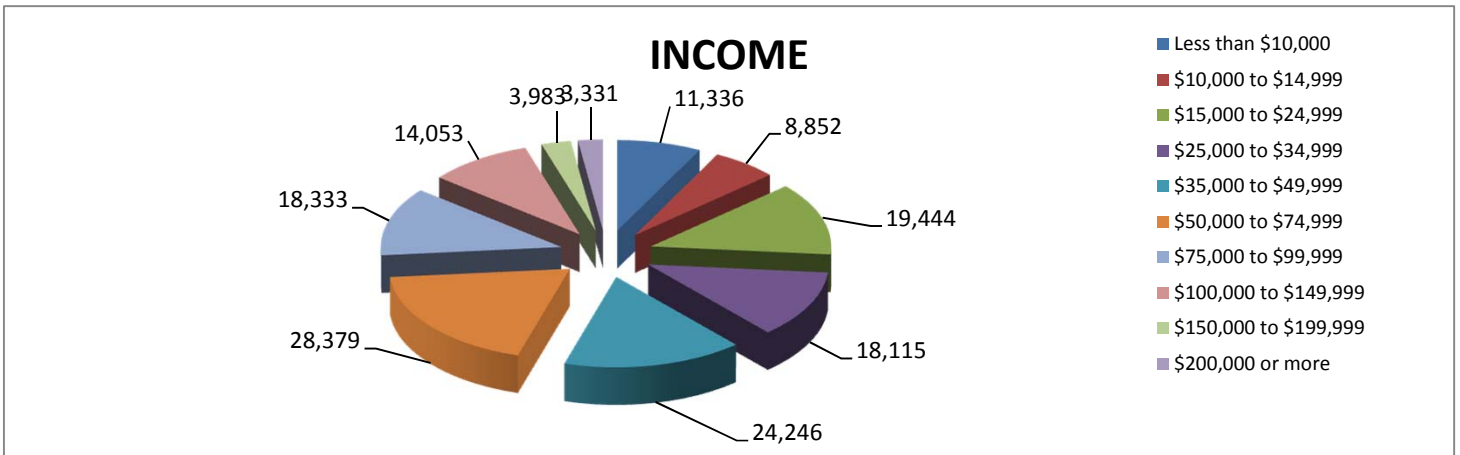
STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY DEMOGRAPHICS

2010 Community Survey*

DEMOGRAPHICS (CONT'D)

Households	Income		
		150,072	100%
Less than \$10,000		11,336	7.55%
\$10,000 to \$14,999		8,852	5.90%
\$15,000 to \$24,999		19,444	12.96%
\$25,000 to \$34,999		18,115	12.07%
\$35,000 to \$49,999		24,246	16.16%
\$50,000 to \$74,999		28,379	18.91%
\$75,000 to \$99,999		18,333	12.22%
\$100,000 to \$149,999		14,053	9.36%
\$150,000 to \$199,999		3,983	2.65%
\$200,000 or more		3,331	2.22%
Median household income (dollars)		45,347	



*2012 Survey results not available at time of reporting.
 Source: U.S. Census Bureau, 2007-2011 American Community Survey
<http://factfinder2.census.gov/>

Stark Area Regional Transit Authority

**Single Audit Reports
For the Year Ended December 31, 2012**

Stark Area Regional Transit Authority

For the Year Ended December 31, 2012

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Trustees
Stark Area Regional Transit Authority

We have audited, in accordance with the 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, the financial statements of the business-type activities of Stark Area Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Stark Area Regional Transit Authority's basic financial statements, and have issued our report thereon dated June 21, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
Stark Area Regional Transit Authority

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cini & Paricki, Inc.

Cleveland, Ohio
June 21, 2013

**Independent Auditor’s Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Trustees
Stark Area Regional Transit Authority

Report on Compliance for Each Major Federal Program

We have audited Stark Area Regional Transit Authority’s (the “Authority”) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority’s major federal program for the year ended December 31, 2012. The Authority’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Board of Trustees
Stark Area Regional Transit Authority

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended December 31, 2012, and have issued our report thereon dated June 21, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cini & Panichi, Inc.

Cleveland, Ohio
June 21, 2013

Stark Area Regional Transit Authority

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grant Number	Federal Expenditures
U.S. Department of Transportation:			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-04-0008	\$ 3,264
	20.507	OH-04-0069	2,503,417
	20.507	OH-04-0079	387,900
	20.507	OH-04-0084	247,693
	20.507	OH-04-0088	110,321
	20.507	OH-90-0622	216,234
	20.507	OH-90-0677	52,442
	20.507	OH-90-0714	1,364,503
	20.507	OH-90-0764	1,562,293
	20.507	OH-95-0059	21
	20.507	OH-95-0095	150,937
	20.507	OH-95-0116	1,588,381
	20.507	OH-34-X002	<u>21,198</u>
Total Federal Transit Cluster/Direct Programs			8,208,604
Transit Services Programs Cluster:			
Job Access and Reverse Commute	20.516	OH-37-6074	11,690
	20.516	OH-37-4080	105,496
	20.516	OH-37-6080	7,480
	20.516	OH-37-4094	<u>11,427</u>
Total Job Access and Reverse Commute			136,093
New Freedom Program			
	20.521	OH-57-4020	56,707
	20.521	OH-57-0032	90,000
	20.521	OH-57-4039	83,782
	20.521	OH-57-6032	3,287
	20.521	OH-57-6039	2,853
	20.521	OH-57-6054	<u>35,231</u>
Total New Freedom Program			<u>271,860</u>
Total Transit Services Programs Cluster			407,953
ARRA - Federal Transit Administration American Recovery and Reinvestment Act Grant			
	20.509	OH-96-0020	<u>18,989</u>
Total U.S. Department of Transportation			\$ <u><u>8,635,546</u></u>

The accompanying notes are an integral part of this schedule.

Stark Area Regional Transit Authority

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2012

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (“Schedule”) reflects the expenditures of the Stark Area Regional Transit Authority under programs financed by the U.S. government for the year ended December 31, 2012. 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 all grants, contracts, loans, and loan guarantee agreements entered into directly and indirectly (passed-through) between the Authority and agencies and departments of the federal government.

Stark Area Regional Transit Authority

Schedule of Findings

OMB Circular A-133 Section .505

For the Year Ended December 31, 2012

1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unmodified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Program	Federal Transit Cluster/Direct Programs: Federal Transit Administration Capital and Operating Assistance Formula Grants, CFDA #20.507
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$ 300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

Stark Area Regional Transit Authority

**Schedule of Findings (continued)
OMB Circular A-133 Section .505**

For the Year Ended December 31, 2012

**2. Findings Related to the Financial Statements Required
to be Reported in Accordance with GAGAS**

None noted.

3. Findings for Federal Audits

None noted.

Stark Area Regional Transit Authority

Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b)

For the Year Ended December 31, 2012

Findings Number 2011-001

<p><i>Accounting Records</i></p>

<p>It was noted that during the year (2011), the Authority failed to properly maintain its account records. Certain assets, liabilities, revenue and expense transactions and supporting documentation were not reconciled to the general ledger.</p>

<p>Officials Response:</p>

<p>The Authority implemented a formal review process in 2012 and also hired an outside accounting firm to perform reconciliations, review the general ledger, and create templates to serve as supporting documentation for account balances.</p>

<p>Current Status:</p>

<p>No such issues noted in the current year.</p>
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Dave Yost • Auditor of State

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
JULY 30, 2013**