

STARK AREA
REGIONAL TRANSIT AUTHORITY

Single Audit Report

For the Year Ended December 31, 2006

(With Independent Auditors' Reports Thereon)



Mary Taylor, CPA
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 Watson Rice & Co., for the audit period January 1, 2006 through December 31, 2006. 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 "Robert R. Hinkle".

Robert R. Hinkle, CPA
Chief Deputy Auditor

August 16, 2007

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STARK AREA REGIONAL TRANSIT AUTHORITY

Single Audit Report

For the Year Ended December 31, 2006

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Certified Public Accountants
A Professional Corporation

601 City Club Building
850 Euclid Avenue
Cleveland, Ohio 44114
(216) 696-0767
(216) 696-1145 Fax

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

To The Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Betty Montgomery, Auditor of State
Columbus, Ohio

We have audited the financial statements of the Stark Area Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 2006 and have issued our report thereon dated May 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated May 21, 2007.

This report is intended solely for the information and use of the finance committee, Board of Trustees, management, others within the organization and federal awarding agencies and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

May 21, 2007

Watson, Rice + Co.



Certified Public Accountants
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To The Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Betty Montgomery, Auditor of State
Columbus, Ohio

Compliance

We have audited the compliance of the Stark Area Regional Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2005, and have issued our report thereon dated May 21, 2007. Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the Authority's basic financial statements taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

May 21, 2007

Natson, Rice & Co

**STARK AREA REGIONAL TRANSIT AUTHORITY
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/Program Title	Federal CFDA Number	Federal Grant Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
FEDERAL TRANSIT CLUSTER			
Direct Program:			
Federal Transit Administration - Capital and Operating Assistance Formula Grants	20.507		
		OH-03-0221	\$ 71,770
		OH-03-0235	3,225
		OH-03-0256	37,084
		OH-03-0260	152,506
		OH-03-0274	177,182
		OH-90-0354	10,006
		OH-90-0376	69,838
		OH-90-0417	2,181
		OH-90-0434	906,970
		OH-90-0474	651,612
		OH-90-0498	653,776
		OH-90-0550	<u>2,080,141</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$4,816,291</u>

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

**STARK AREA REGIONAL TRANSIT AUTHORITY
NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. BASIS OF PRESENTATION:

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Stark Area Regional Transit Authority under programs financed by the U.S. Government for the year ended December 31, 2006. 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.

**STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Summary of Auditors' Results:

- > Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 2006 - Unqualified.
- > Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements – No.
- > Noncompliance Noted that is Material to the Financial Statements of the Authority - None.
- > Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - No.
- > Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.
- > The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133.
- > Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 2005:
 - >Federal Transit Cluster
 - > CFDA #20.507: Federal Transit Administration –
Capital and Operating Assistance Formula Grants
- > Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$300,000.
- > The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

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

None.

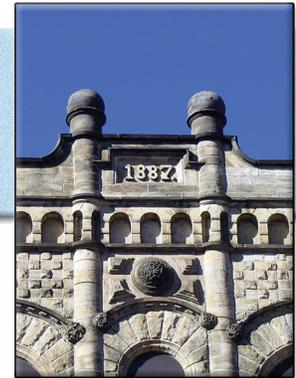
Findings and questioned Costs Relating to Federal Awards:

None.

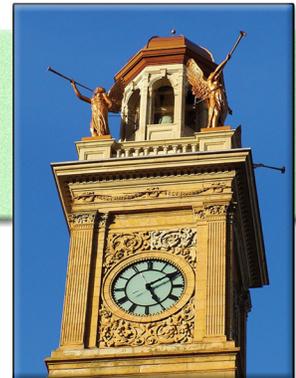
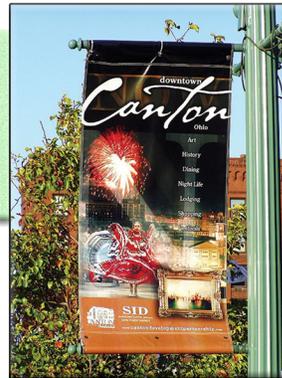
Stark Area Regional Transit Authority

Serving:

Alliance...



Canton...



Massillon...



and all communities
of Stark County, Ohio.

SARTA

2006 Comprehensive Annual Financial Report

for the year ended December 31, 2006

Stark

Area

Regional

Transit

Authority

Charles Odimgbe

**Executive Director/
CEO**

Charles DeGraff

**President, Board of
Trustees**

Prepared by
The Department of Finance & Administration
Carole A. Kuczynski, CPA, MBA
Director

STARK COUNTY, OHIO

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Stark Area Regional Transit Authority
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2006

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**Introductory
Section
2006**



STARK AREA REGIONAL TRANSIT AUTHORITY

1600 Gateway Blvd. SE • Canton, Ohio 44707

Voted #1 Transit in America by APTA!

Phone: (330) 454-6132 • 1-800-379-3661

Fax: (330) 454-5476 • www.SARTAonline.com

April 15, 2007

Charles DeGraff, President

Members, Board of Trustees

Stark Area Regional Transit Authority

Residents of Stark County

State law requires that every transit authority publish, within six months of the close of their fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2006. This report is also placed on our website, for additional access, at www.sartaonline.com.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that 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.

Watson, Rice & Company, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the Stark Area Regional Transit Authority’s (SARTA’s) financial statements for the year ended December 31, 2006. The Independent Auditor’s Report is located at the front of the Financial Section of this report. 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, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Authority’s separately issued Single Audit Report.

Management’s Discussion and Analysis (MD&A) immediately follows the Independent Auditor’s Report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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. 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.

The nine member Board of Trustees supervises the operations of the agency and sets policies and approves procedures 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 87% of the operating funds for SARTA.

The main purpose of SARTA is to provide public transportation throughout Stark County. SARTA provides both fixed route services and curb-to-curb services. Ridership in 2006 was 2,161,927, an increase of over 18% from 2005. While 2005 showed tremendous ridership growth in curb-to-curb services to the elderly and handicapped, 2006 growth was in fixed routes and public special event shuttles, such as the Hall of Fame festivities.

While Stark County's population remains level, with minimal growth, SARTA ridership growth indicates growing confidence in and reliance upon public transit.

SARTA has received the American Public Transit Association award for the Number One Transit In America, for transits our size, for excellence for efficiency and effectiveness, including demonstrated achievement in safety; operations; customer service; financial management; attendance and employment costs; minority and women advancement; marketing; policy and administration; and community relations.

SARTA over the last six years has completed two transit centers, as well as the renovation of the main office and maintenance facility. In 2007, SARTA will complete the Alliance Transit Center, the fourth location for SARTA.

Local Economy

Stark County has had a surge of unemployment over the past three years, climbing to almost 7% in 2003 and 2004. This rate has declined in 2005 and 2006. However, the labor force has been influenced by several large industries moving their operations out of the area, and also by a general exodus of young workers moving out of the area to find employment. This has, actually, impacted SARTA in the opposite

direction, with more individuals relying upon public transportation to serve their needs. Ridership increases have included large numbers of retirees, low-income employees, and students now riding both the fixed route and curb-to-curb.

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 by the Metropolitan Planning Organization 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. The three-year TDP was completed and approved by the Board of Trustees for years 2007-2010, and copies are available at the Authority’s main offices.

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. SARTA routinely schedules buses for replacement, dependant upon the size of the bus, and the miles driven. Large buses are either 30’ buses or 40’ buses, and are generally used for fixed route ridership and public events. The smaller buses and vans supplement the fixed route service on less frequented routes, and for the curb-to-curb service. SARTA provides transportation for the county for approximately 22 of 24 hours Monday through Saturday, and 8 hours on Sunday.

Major Initiatives

In 2007 several projects are scheduled, and have been funded, or are anticipated being funded with federal dollars:

Alliance Transfer Center	Alliance, Ohio	new construction
4 large (2-30’, 2-40’) buses	Canton, Ohio	replacement buses
Computer Aided Dispatch		
And passenger counters		new system
Transportation Corridor	Canton, Ohio	passenger enhancements

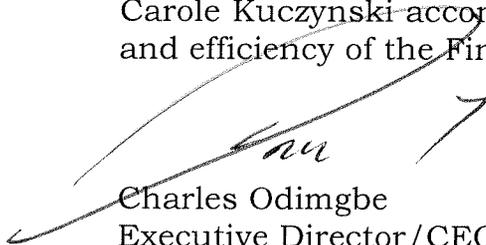
Awards and Acknowledgements

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, 2005. This was the third consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report.

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 another certificate.

Most notably Karen Little, Marie Grealis, Deborah Hill, and Director, Carole Kuczynski accomplished this timely report through the dedication and efficiency of the Finance and Administration Department.



Charles Odingbe
Executive Director/CEO/CFO

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, 2005

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.



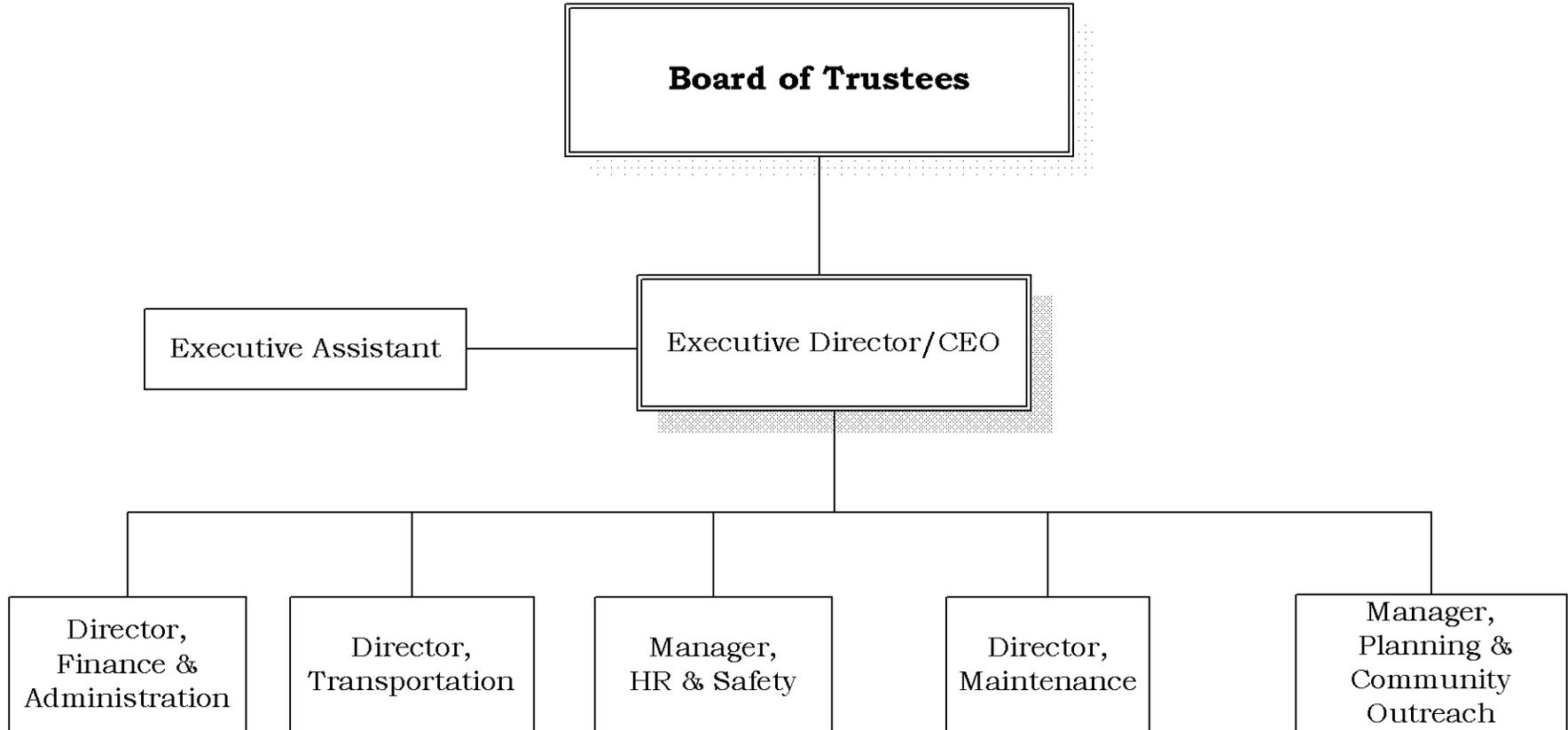
A handwritten signature in black ink, appearing to read "Thomas J. Han".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

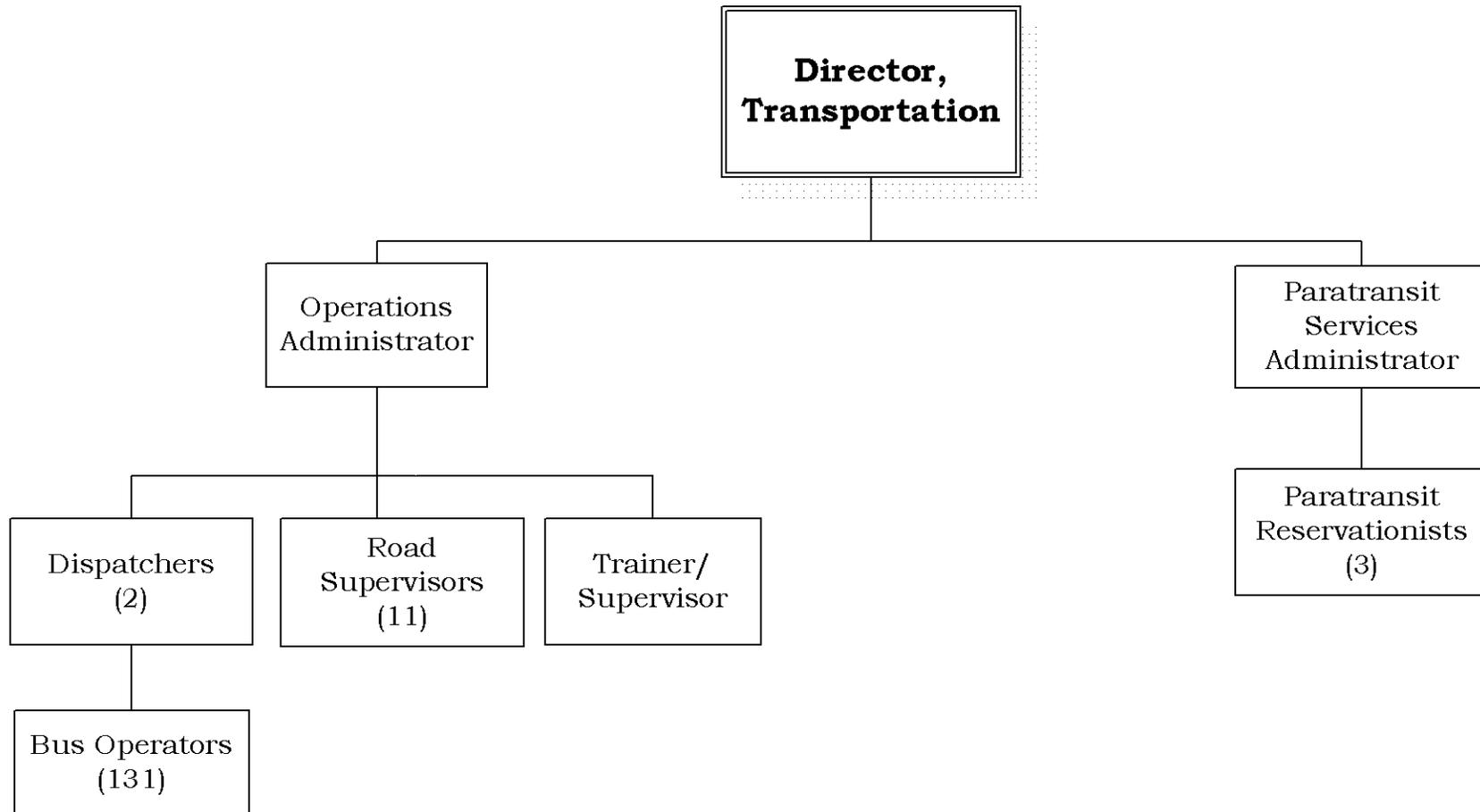
Executive Director

**Stark Area Regional Transit Authority
Board of Trustees
2006**



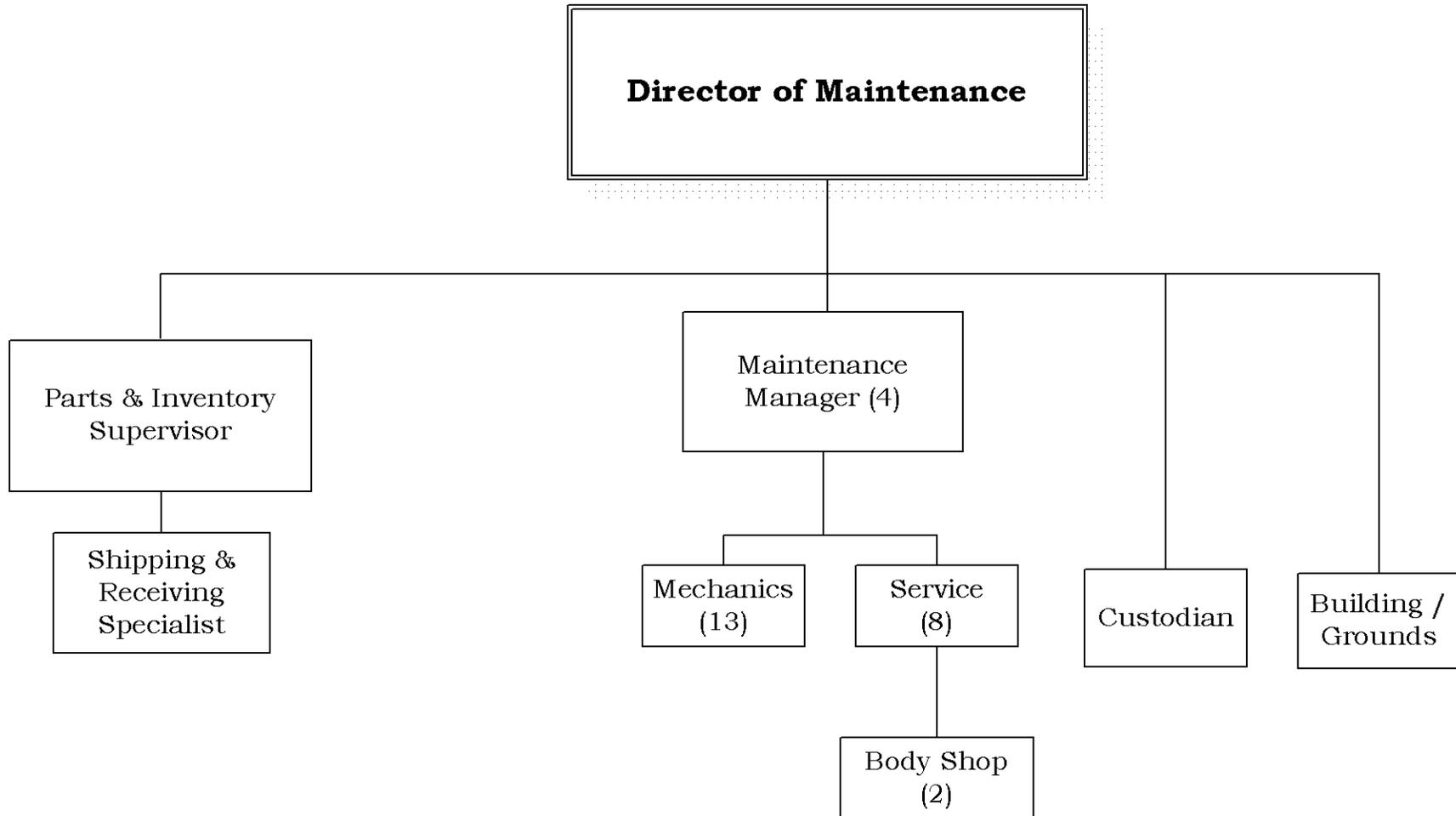
Stark Area Regional Transit Authority

Transportation 2006

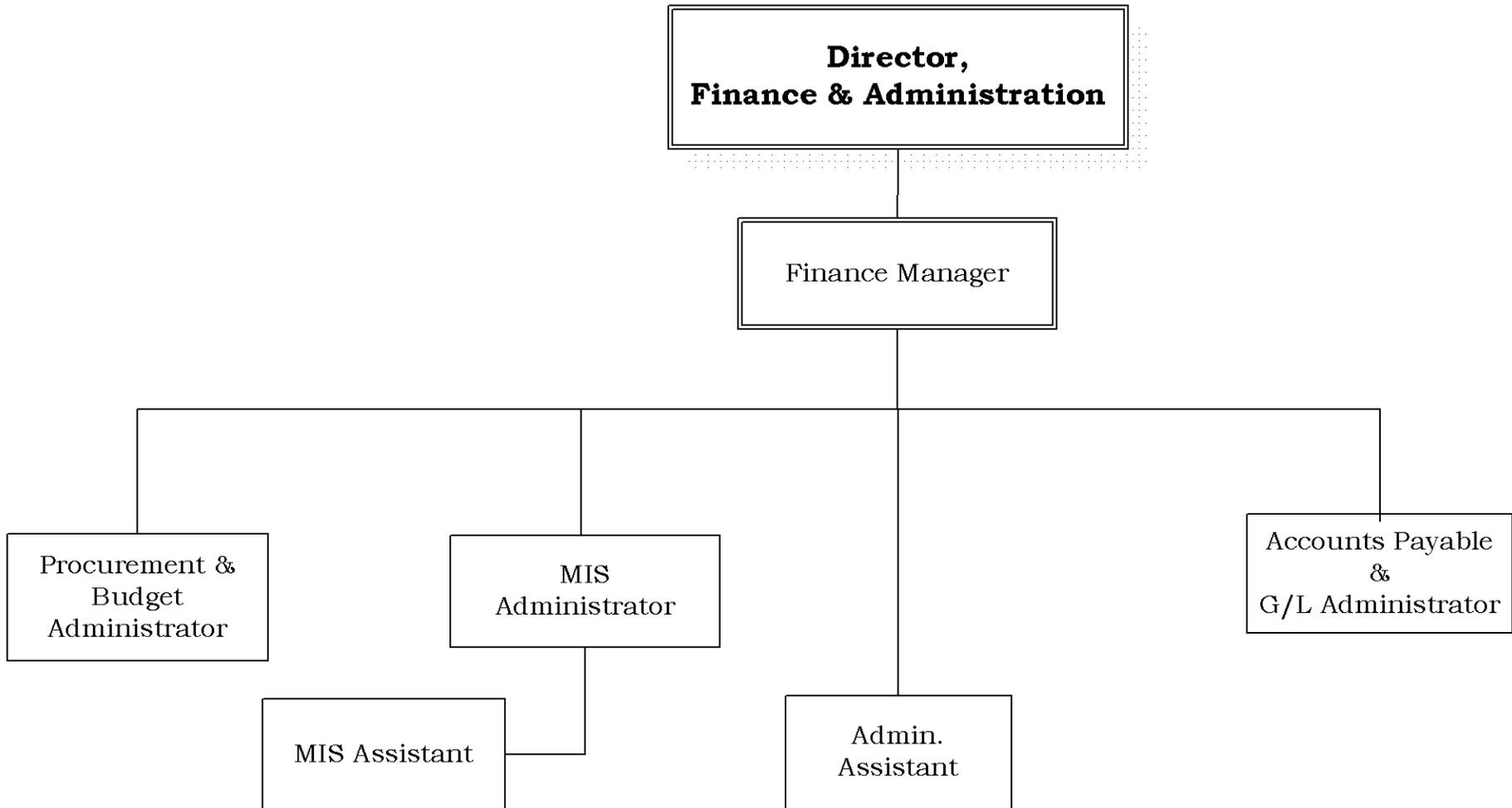


Stark Area Regional Transit Authority

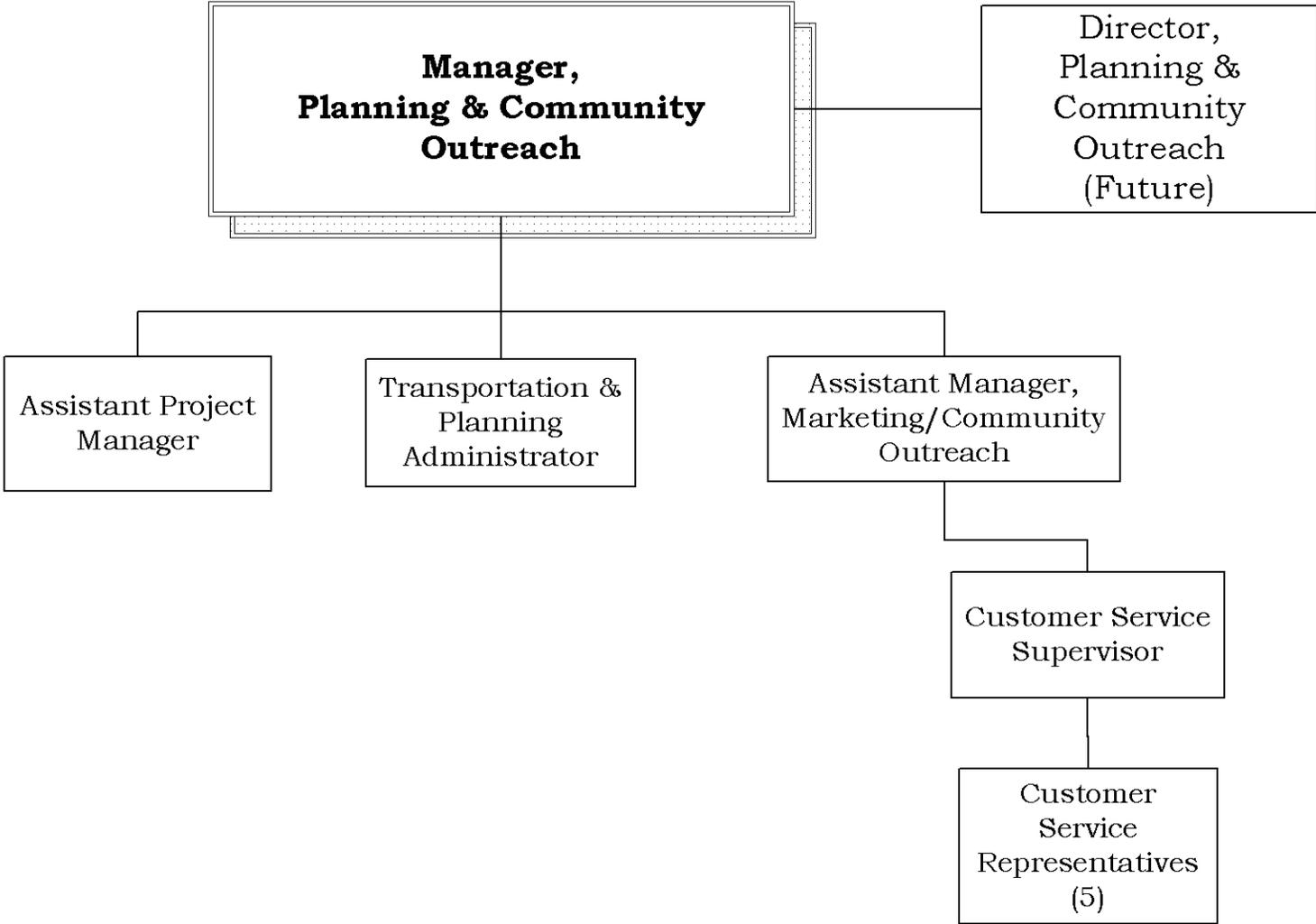
Maintenance 2006



Stark Area Regional Transit Authority
Finance and Administration
2006



**Stark Area Regional Transit Authority
Planning and Community Outreach
2006**



**Stark Area Regional Transit Authority
Human Resources & Safety**



STARK AREA REGIONAL TRANSIT AUTHORITY

BOARD OF TRUSTEES AND MANAGEMENT

AS OF DECEMBER 31, 2006

BOARD OF TRUSTEES

President	Charles DeGraff
Vice President	Nancy Johnson
Trustees	Gerald Bixler Phyllis Beyers Randy Bond Amanda Fletcher Fredrick Allen Moore William Rudner Chet Warren

MANAGEMENT

Executive Director/CEO	Charles Odingbe
Director of Finance & Administration	Carole Kuczynski
Director of Operations	Jerry Shilling
Director of Maintenance	Mark Finnicum
Human Resources and Safety Manager	Kelly Zachary
Planning and Community Outreach	Glenna Caruso

Financial Information

Internal Control

SARTA is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft or misuse and to ensure that 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 that 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 judgements 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. Department heads submit their budget proposals to the Director of Finance and Administration who assembles the budget, which is then presented to the Executive Team. The Executive Team adjusts and/or approves the budgets, which are then submitted to the Board Finance Committee. The Board Finance Committee submits the Budget to the Board at a public meeting. After a period of open discussion, the annual operating and capital budget is adopted.

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 that 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.

Current Year Review

Gateway Renovation

In essence, the Gateway Renovation as initially planned, has been completed. It was subsequently expanded to cover the roof of the maintenance garage and to renovate or repair the maintenance shower area. These additional pieces of the renovation are expected to be completed in 2007.

Advanced Communications

In an effort to stay in communications with all buses throughout the county, SARTA began a project in 2006 to replace the radio system on the buses with radio and data communication, automatic passenger counters and an automated vehicle locator employing GIS technology to assist in staying in communication and collecting data on ridership and stops. The project is extensive, as Trapeze launched the new system at SARTA, which has become a focal and reference for other transits seeking to employ the same technology. The project is slated to complete in the summer of 2007.

Alliance Transit Center

Land was acquired, and the basic utility poles moved. Preliminary and final drawings are complete. The re-bid opening took place in December of 2006, and launched the project. Some legal issues have delayed the project construction beginning. New timelines will be developed to coordinate this construction.

Fareboxes

SARTA purchased new fareboxes for the entire fleet. The new fareboxes have an electronic format that allows for automatic scanning of passes, which were changed from calendar month passes to 31 day passes which allows the rider to initialize with the first use. Upgraded software is giving SARTA the ability to extract more accurate data with less effort, and improving reports for management and staff.

Bus Pull-Off

SARTA established a new bus pull-off on Route 62 allowing passengers to board and disembark the bus in relative safety. Mid 2007, SARTA will complete Phase 2, the addition of a sidewalk and handicap access improvement.

Downtown Trolleys

In an effort to minimize lunchtime congestion, and improve air quality for Canton, as well as stimulate downtown business trade, SARTA acquired three vintage style trolleys, to circulate downtown Canton streets, offering a unique method of lunchtime conveyance to restaurants, stores and other merchants in the downtown area.

Reorganization

Budget challenges required the agency to regroup and center around completing the large projects presently on the books. To that end, SARTA made the following adjustments:

1. Eliminated the Safety Officer position and assigned the responsibilities to Human Resources. Prior to this change, Human Resources for the agency were overseen by one person. An additional person was required and the position of HR/Safety Administrator was filled in-house from the Finance & Administration Department by the Payroll Administrator creating the Human Resources and Safety Department.

This action removed the Payroll Administrator position from the Finance & Administration Department but those duties, which included Accounts Receivable, were dispersed among its members. However, since this person was experienced in payroll it was agreed that payroll calculations & distributions would be continued responsibilities under HR/Safety Administrator. This saved the agency the added expense of recruiting & training a new person for the payroll position.

2. The Operations Department was renamed Transportation to reflect an up-to-date image. The Operations Supervisor position was eliminated from that department; however the staff member joined the Planning & Community Outreach Department as Transportation Planning Administrator. Prior to the retirement of the Marketing & Customer Service Manager, the position of Assistant Manager, Marketing/Community Outreach was filled in-house and the Project Manager was promoted to Manager of the department.

Awards

In the 2006 winter issue of Northeast Ohio Municipal Leader Magazine, SARTA was awarded the 2005 Municipal Project of the year award. SARTA was honored for the Gateway Project.

The Gateway Renovation Project was selected as the renovation project of the year by The Northern Ohio Chapter for the National Association of Industrial and Office Properties.

SARTA received the American Public Transportation Association's (APTA) Outstanding Public Transportation System Achievement Award.

Sarta received its third consecutive award for its Comprehensive Annual Financial Report (CAFR 2005). Also, two additional awards were received by the Finance & Administrative Department and its director, Carole A. Winchell, MBA, CPA, in recognition of their Financial Reporting Achievement.

Future Plans

SARTA has a number of projects that began in 2006 and are slated for completion in 2007. These are:

Gateway Renovation

The identification and re-allocation of remainder funds from other projects, as well as new funding from OPTA, allowed SARTA to initiate project pieces that were on hold. The roof replacement and renovation of the maintenance shower area are slated for completion in 2007. The repair/renovation of the bus washer slated for 2007 will allow funds slated for this project to be used for other projects in 2008.

Alliance Transfer Center

Finally, SARTA will, after a number of years of renting, own and control an adequately sized and constructed building. The new design will feature roomier office areas, up-to-date passenger service and waiting areas, and safer bus platform for transfers, pick up and disembarking of passengers.

Advance Communications

Radios, Automatic Vehicle Locators, Passenger Counters, and improved software will assist SARTA in maintaining safety and security of buses, drivers and passengers, as well as improving data on ridership and locations requiring more or less service.

Bus Replacements

SARTA developed a schedule of bus replacements for both the large, fixed route buses, and the smaller, more maneuverable buses for neighborhoods and smaller routes. SARTA is slated to acquire ten small buses in early 2007.

Support Vehicles

SARTA maintains a small fleet of supervisor and other support vehicles, which, like the buses, are scheduled for replacement when they reach replacement mileage levels.

Kiosk

A passenger kiosk, with route information and bus arrival times, enabling Alliance riders information at all times.

Security and Safety

New information and guidelines from FTA, as well as an audit of safety and security features of all SARTA sites, led SARTA to incorporate new security features such as cameras on buses and buildings. A new

Emergency and Security Manual is being developed, and SARTA staff is serving on a statewide committee of transits, developing cooperative security measures and information.

Coordinated Countywide Transit Plan

As a part of SAFETEA-LU, SARTA and SCATS (Stark County Area Transportation Study) are coordinating with area agencies and transportation providers to develop a coordinated plan to service residents of Stark County in their transportation needs.

Bus Lanes

Four bus pull-off lanes in high traffic areas. These pull-offs require right-of-way acquisitions, sidewalks, cement pads, shelters and traffic studies to enable SARTA buses egress from high traffic roadways to board and de-board passengers in safe locations along existing SARTA routes.

In addition to the above project SARTA is research the following areas:

Tri-County Service

SARTA is coordinating with Holmes, Carroll and Wayne counties. Joint operated bus services and transfer locations between counties will be used to assist in their transportation needs.

Park and Ride

Building of four Park-and-Ride locations including parking lots and coordination with express runs. The Interstate 77 corridor (north and south) would provide traffic congestion mitigation with Park-and-Ride locations and future consideration given to the Route 30 (east and west) corridor. The Tri-County Service project will include Park-and-Ride services with specialized consideration given to the Amish community requirements.

Bicycle Racks

Each bus will be equipped with two (2) bicycle racks giving riders the opportunity to ride SARTA to work, the park or just around town.

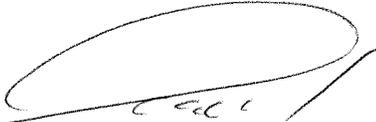
Lincoln Way Corridor

Bus pull-offs and decorative shelters along the Lincoln Way corridor for this historic roadway extends from Whipple to Jackson Avenue. SARTA, local and state politicians, business owners, residents and engineering experts are working in an effort to design a detailed plan for green-space, drainage and ingress/egress issues along this corridor. SARTA bus routes and customized shelters will be included as development continues.

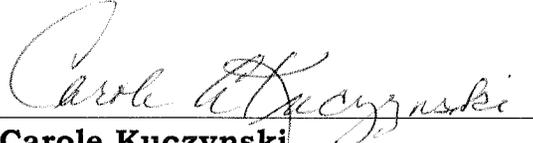
Acknowledgement

Many thanks go to the Finance and Administration Department, especially Deborah Hill, Finance Manager & Grants Administrator, Marie Grealis, Administrative Assistant, and Karen Little, Accounts Payable & GL Administrator, for the organization, preparation, typing, and proofing of this report.

Thanks also to the staff of Watson, Rice, & Company for their review of the document for completeness.

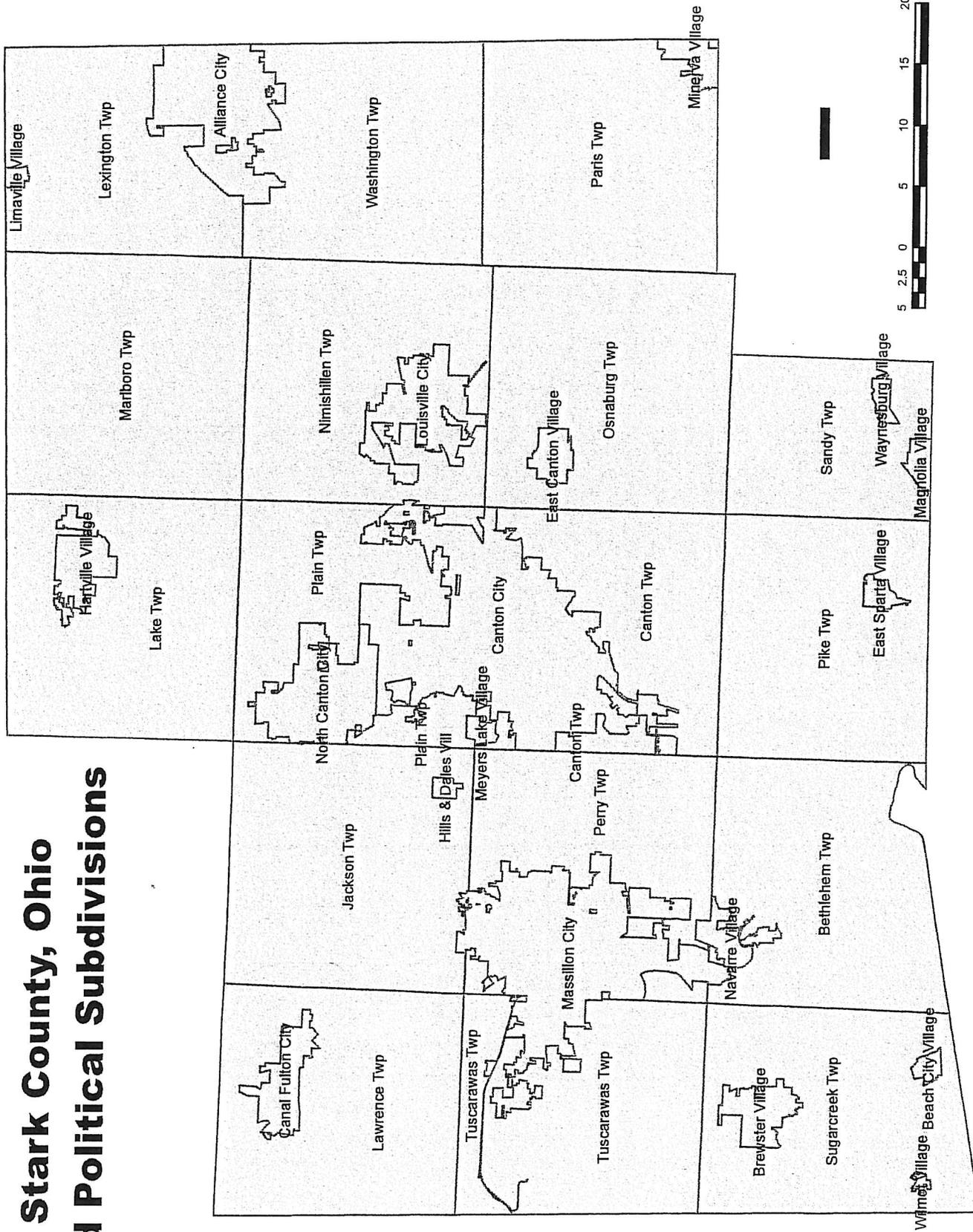


Charles Odimgbe
Executive Director/CEO

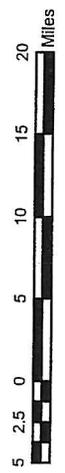


Carole Kuczynski
Director of Finance & Administration

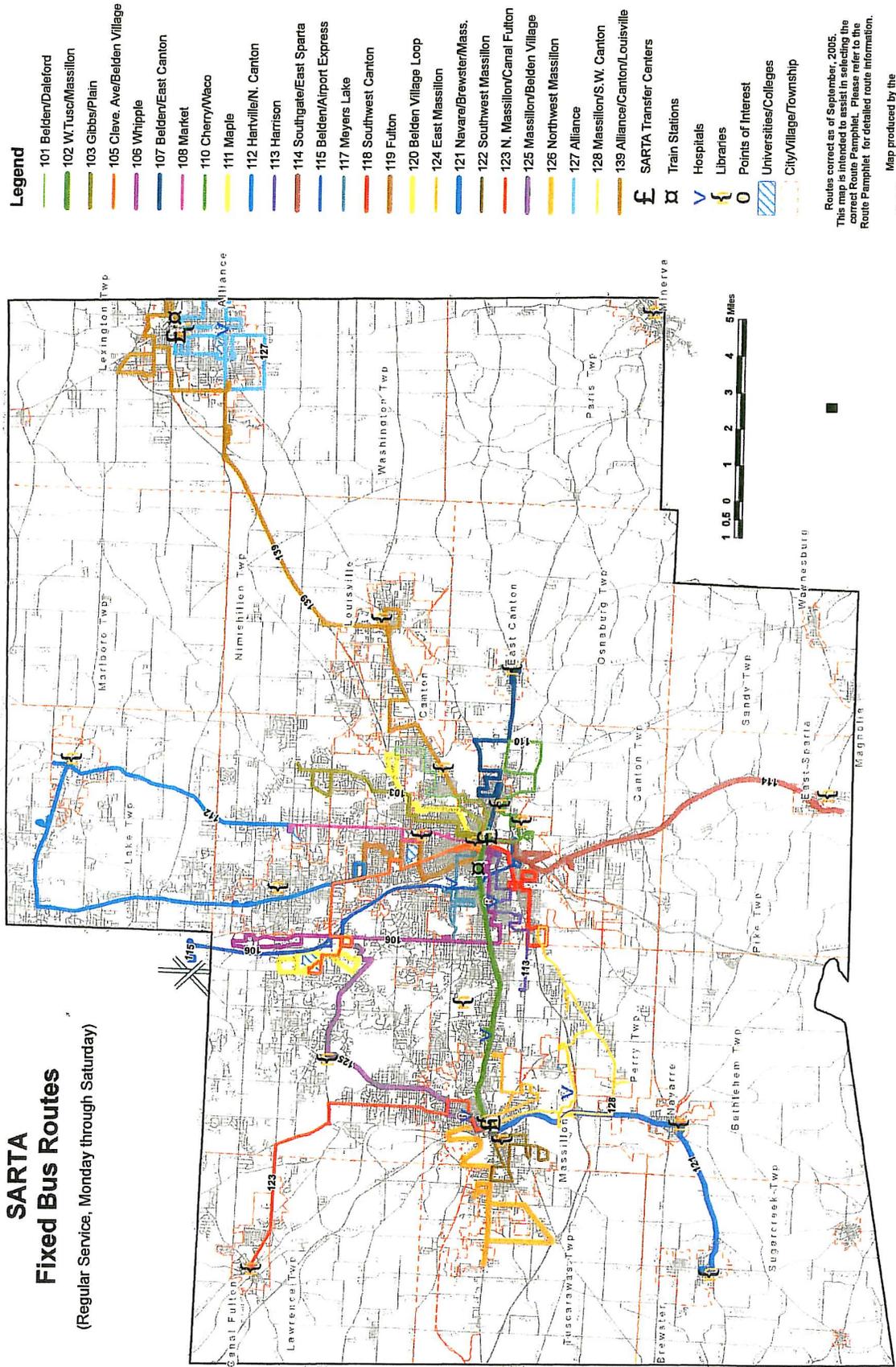
Stark County, Ohio and Political Subdivisions



Map produced by SCRPC/SCATS
for SARTA, April, 2006



SARTA
Fixed Bus Routes
 (Regular Service, Monday through Saturday)



Legend

- 101 Belden/Daleford
- 102 W. Tusco/Massillon
- 103 Gibbs/Plain
- 105 Cleve. Ave./Belden Village
- 106 Whipple
- 107 Belden/East Canton
- 108 Market
- 110 Cherry/Waco
- 111 Maple
- 112 Hartville/N. Canton
- 113 Harrison
- 114 Southgate/East Sparta
- 115 Belden/Airport Express
- 117 Meyers Lake
- 118 Southwest Canton
- 119 Fulton
- 120 Belden Village Loop
- 124 East Massillon
- 121 Navarre/Brewster/Mass.
- 122 Southwest Massillon
- 123 N. Massillon/Canal Fulton
- 125 Massillon/Belden Village
- 126 Northwest Massillon
- 127 Alliance
- 128 Massillon/S.W. Canton
- 139 Alliance/Canton/Louisville
- SARTA Transfer Centers
- Train Stations
- Hospitals
- Libraries
- Points of Interest
- Universities/Colleges
- City/Village/Township

Routes correct as of September, 2005.
 This map is intended to assist in identifying the correct Route Pamphlet. Please refer to the Route Pamphlet for detailed route information.

Map produced by the
 Stark County Area Transportation Study.

**Financial
Section
Basic Financial
Statements & Notes
2006**



Certified Public Accountants
A Professional Corporation

601 City Club Building
850 Euclid Avenue
Cleveland, Ohio 44114
(216) 696-0767
(216) 696-1145 Fax

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Betty Sutton, Auditor of State
Columbus, Ohio

We have audited the accompanying Basic Financial Statements of the Stark Area Regional Transit Authority (Authority) as of and for the year ended December 31, 2006 as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Authority as of December 31, 2006 and the respective 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2007 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 23 through 29 is not a required part of the Basic Financial Statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The introductory section, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the Basic Financial Statements, and accordingly, we express no opinion on them.

Watson, Rice & Co.

May 21, 2007

Stark Area Regional Transit Authority 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 year ended December 31, 2006. 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 and with the Letter of Transmittal that contains additional information and can be found on pages 1 – 4 of this report.

Financial Highlights

- ❖ The Authority's total net assets increased \$712,488 or .03% over the course of the year's operations. The increase was reflected in the increase in federal grant dollars for the various capital projects, including the Gateway renovation, the communication system, the farebox replacements, and the Alliance project.
- ❖ The Authority's operating expenses, excluding depreciation, in 2006 were \$847,601 higher than in 2005, a 6% increase, due to budgeted increases in wages, health care premiums and liability insurance premiums.
- ❖ Operating income for the Authority was \$82,338 higher in 2006, a 7% increase, primarily due to increases in cash ridership, as ridership increased by almost 16% overall. The Authority has also re-stated the 2005 sales tax revenues, to report tax collections at gross (minus refunds) and report the expense of state administration charges in non-operating expense. Sales tax revenues for the Authority were \$434,912 higher than 2005, a 3.87% increase over 2005. Sales tax revenues accounted for approximately 90% of all funding, 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 comprise 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 Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues and Expenses, and Changes In Net Assets present information showing how the Authority's net assets changed during the most recent fiscal year and activities giving rise to those changes. All changes in net assets 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 vacation leave).

The required final 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.

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

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 34-46 of this report.

Financial Analysis of the Authority

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$22,753,269 at the close of the most recent fiscal year.

The Authority's net assets are comprised primarily of its investment in capital assets (e.g., land, buildings, transportation equipment and other equipment). 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.

A portion of the Authority's net assets represents resources that are subject to the restriction of being held to pay for capital assets. The remaining balance of *unrestricted net assets* (\$3,207,574) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in net assets, and the same held true for the prior fiscal year.

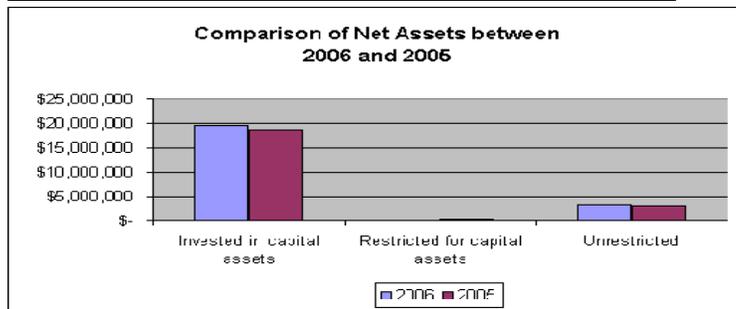
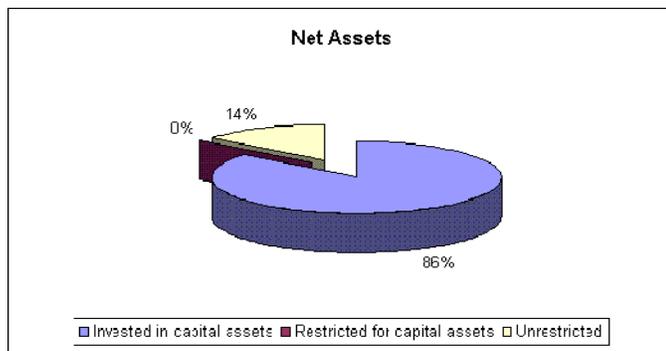
Stark Area Regional Transit Authority's Net Assets

NET ASSETS

	<u>2006</u>		<u>2005</u>	
Current assets	\$	4,790,055	\$	5,543,442
Capital assets, net	\$	19,545,695	\$	18,794,568
Total assets	\$	24,335,750	\$	24,338,010
Current liabilities	\$	1,582,480	\$	2,350,830
Total liabilities	\$	1,582,480	\$	2,350,830

Net assets:

Invested in capital assets	\$	19,545,695	\$	18,794,568
Restricted for capital assets	\$	-	\$	124,842
Unrestricted	\$	3,207,574	\$	3,121,371
Total net assets	\$	22,753,269	\$	22,040,781



As can be seen from the table above, net assets increased \$712,488 to \$22,753,269 from \$22,040,781 in 2005. The 3% increase was principally due to capital funding to purchase fareboxes, equipment, begin the communications project, begin the Alliance Transfer Center and renovate the Gateway facility.

For more information on capital assets, readers are referred to the Notes to the Financial Statements on pages 34-46.

CHANGES IN NET ASSETS/FUND BALANCES

OPERATING REVENUES	2006	2005
Passenger Fares	\$ 959,445	\$ 877,269
Special Transit Fares.	226,553	220,836
Auxiliary Transportation Revenue	32,711	38,267
TOTAL OPERATING REVENUES	\$ 1,218,709	\$ 1,136,372
OPERATING EXPENSES		
Labor	\$ 6,237,295	\$ 5,958,496
Fringe Benefits	4,852,882	4,597,730
Materials & Supplies	2,053,684	1,778,542
Services	693,611	743,478
Utilities	285,521	230,473
Casualty & Liability	688,373	660,774
Leases & Rentals	11,044	6,648
Miscellaneous	210,676	71,270
TOTAL OPERATING EXPENSES	\$15,033,086	\$14,047,411
OPERATING LOSS BEFORE DEPRECIATION	\$(13,814,377)	\$(12,911,039)
Depreciation Expense	2,301,806	2,439,508
OPERATING LOSS	\$(16,116,183)	\$(15,350,547)
NON OPERATING REVENUES (EXPENSES)		
Sales Tax Proceeds	\$11,683,697	\$11,384,241
Federal Preventative Maintenance	1,228,565	639,246
State Preventative Maintenance	301,053	153,186
Elderly & Disabled Assistance	100,641	97,639
Federal Planning Grants	72,678	-
Investment/Interest Income	26,928	52,776
Gain (Loss) on Disposal	(3,046)	1,660
Non-transportation Revenue	20,573	20,884
Special Item	-	(9,500)
NON OPERATING REVENUES/EXPENSES - NET	\$13,431,089	\$12,340,132

CHANGES IN NET ASSETS/FUND BALANCES (continued)

CAPITAL GRANT REVENUE		
Federal Capital Grant	\$ 3,446,928	\$ 4,175,826
State Capital Grant	-	301,935
TOTAL CAPITAL GRANTS	\$ 3,446,928	\$ 4,477,761
CHANGE IN NET ASSETS		
Net Assets, Beginning Balance	22,040,782	20,993,246
Prior Period Auditor Adjustments	(49,347)	(419,810)
Net Assets, Ending Balance	\$22,753,269	\$22,040,782

The Authority's Operating Revenues increased 7%, or \$82,338 to \$1,218,709 in 2006 (\$37,691 increase in ordinary passenger fares, \$51,525 increase in special event fares, and \$6,878 decline in bus side advertising and miscellaneous sales). Operating Revenues are generated mainly from pass sales, ticket sales, special event fares and farebox 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. Operating Expenses, excluding depreciation, increased \$847,601 or 6% as compared to the prior year, mainly due to rising insurance and medical insurance costs, higher costs in fuel, higher fuel consumption, and increases in wages. Depreciation Expense decreased by \$137,703, as the Gateway Renovation had not been completed by year-end 2006 and closed as a project, therefore, no depreciation was recognized, while bus replacements were purchased, and some computer equipment, and older buses and equipment were retired.

The 2006 increase in other Non-Operating Revenues of \$139,183 or 1.2% is due to an increase in sales tax revenues, preventative maintenance grants and planning from the Federal Transit Administration and Ohio Department of Transit. Interest Income declined by \$25,848 due to the use of cash for SARTA's local match requirements for capital grants.

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 is completing a renovation of the main garage/administrative building at Gateway Blvd., a purchase of a communications/vehicle locator/automatic passenger counting system, and has completed a fleet-wide farebox replacement.

The decrease in cash equivalents is due to the matching requirement from local funds on federally funded projects and assets. The reader may review the

increase in assets on pages 31-32 in conjunction with the cash flow below (page 28) to better understand the change in cash.

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	\$ 1,202,638	\$ 1,122,521
Gross cash payments to suppliers for goods & services	(4,910,926)	(3,509,650)
Gross cash payments to employees for salaries and wages	(6,926,903)	(6,368,348)
Gross cash payments to employees for benefits	(3,232,748)	(3,753,937)
Gross other	(138,075)	(107,773)
Net cash used in operating activities	<u>(14,006,015)</u>	<u>(12,617,187)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	11,683,697	11,476,374
Gross operating & preventive maintenance grants received	1,681,552	890,071
Net cash provided by noncapital financing activities	<u>13,365,249</u>	<u>12,366,445</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	2,893,940	4,388,104
Gross state capital grant revenue	-	1,192,145
Gross acquisition of fixed assets & work in process	(3,041,615)	(5,504,949)
Net cash used in capital and related financing activities	<u>(147,675)</u>	<u>75,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	<u>26,928</u>	<u>51,800</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(761,513)	(123,642)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,854,980</u>	<u>1,978,622</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,093,467</u>	<u>\$ 1,854,980</u>

Capital Assets

The Authority's investment in capital assets amounts to \$19,664,090 net of accumulated depreciation as of December 31, 2006, a net increase of \$869,522, 4.6% over 2005, primarily due to the nearly complete Gateway

facility renovation, buses, fareboxes, beginning the Alliance Transfer Station and Computerized Communication System. 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:

❖ Gateway Renovation	\$ 422,320
❖ Buses, support vehicles and passenger amenities	\$ 14,238
❖ Computerized Communication System	\$1,062,251
❖ Fareboxes	\$ 918,957
❖ Alliance Transfer Center	\$ 157,086

The Notes to the Financial Statements pages 34-46 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 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:

Carole A. Kuczynski
Director of Finance and Administration
Stark Area Regional Transit Authority
1600 Gateway Blvd., S.E.
Canton, Ohio 44707

STARK AREA REGIONAL TRANSIT AUTHORITY
Comparative Balance Sheet
For the Year Ending December 31, 2006

ASSETS	2006	2005
CURRENT ASSETS		
Cash & equivalents	\$ 1,093,466	\$ 1,730,138
Receivables:		
Trade	72,501	67,639
Sales tax	3,119,717	3,011,695
State capital & planning grants	-	49,348
Federal capital & planning grants	67,484	135,604
Materials & supplies inventory	256,410	270,995
Prepaid expenses & other assets	180,477	206,782
Restricted for capital assets:		
Cash & cash equivalents	-	124,842
TOTAL CURRENT ASSETS	\$ 4,790,055	\$ 5,597,043
Capital assets: (Note 4)		
Land	\$ 274,543	\$ 274,543
Buildings & improvements	9,306,165	9,305,845
Transportation equipment	14,365,076	15,438,657
Other equipment	3,081,540	3,005,888
Construction & WIP	9,313,301	6,633,012
Total capital assets	36,340,627	34,657,945
Less accumulated depreciation	(16,794,932)	(15,863,377)
Capital assets - net	19,545,695	18,794,568
TOTAL ASSETS	\$ 24,335,749	\$ 24,391,611
 LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 198,068	\$ 1,158,584
Accrued payroll	114,292	132,642
Accrued payroll taxes & withholdings	1,143,397	988,452
Other current liabilities	37,100	32,700
Deferred revenues	89,623	38,452
TOTAL CURRENT LIABILITIES	1,582,480	2,350,830
TOTAL LIABILITIES	\$ 1,582,480	\$ 2,350,830
 NET ASSETS:		
Invested in capital assets	\$ 19,545,695	\$ 18,794,568
Restricted for expendable capital assets	-	124,842
Unrestricted	3,207,574	3,121,371
TOTAL NET ASSETS	22,753,269	22,040,781
TOTAL LIABILITIES AND NET ASSETS	\$ 24,335,749	\$ 24,391,611

The accompanying footnotes are an integral part of the financial statements.

Stark Area Regional Transit Authority
Comparative Statement of Revenues, Expenses and Changes in Net Assets/Equity
For the Year Ended December 31, 2006

	2006	2005
OPERATING REVENUES		
Passenger fares	\$ 914,960	\$ 877,269
Special transit fares	272,361	220,836
Auxiliary transportation revenues	31,388	38,266
TOTAL OPERATING REVENUES	\$ 1,218,709	\$ 1,136,371
 OPERATING EXPENSES		
Labor	\$ 6,237,293	\$ 5,958,496
Fringe benefits (Note 5)	4,852,883	4,597,730
Materials & supplies	1,914,954	1,778,542
Services	763,943	743,478
Utilities	285,521	230,473
Casualty & liability	708,362	660,774
Leases & rentals	11,044	6,648
Miscellaneous	121,012	71,270
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	\$ 14,895,012	\$ 14,047,411
 OPERATING LOSS BEFORE DEPRECIATION	(13,676,303)	(12,911,040)
 DEPRECIATION EXPENSE (Note 4)	2,301,805	2,439,508
 OPERATING LOSS	(15,978,108)	(15,350,548)
 NONOPERATING REVENUES (EXPENSES)		
Sales tax revenues (Note 3)	\$ 11,683,697	\$ 11,248,785
State planning grant	-	-
State operating grants, reimbursements and special fare assistance	100,641	97,639
Interest income	26,928	52,776
Sales tax collection expense (Note 1)	(138,075)	(135,456)
Gain (loss) on disposal of fixed assets	(3,046)	1,660
Non-transportation revenues	20,573	20,884
Non-recurring legal	-	(9,500)
Total Non-Operating Revenues - Net	\$ 11,690,718	\$ 11,547,700
 NET (LOSS) BEFORE CAPITAL GRANT REVENUE	(4,287,390)	(3,802,848)

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

Stark Area Regional Transit Authority
Comparative Statement of Revenues, Expenses and Changes in Net Assets/Equity - continued
For the Year Ended December 31, 2006

	2006	2005
CAPITAL GRANT REVENUE (Note 1)		
Federal capital grant	3,519,606	4,175,826
Federal preventative maintenance grant	1,228,565	639,246
State preventative maintenance grant	301,053	153,186
State capital grant	-	301,935
TOTAL PREVENTATIVE MAINTENANCE AND CAPITAL GRANT REVENUES	5,049,225	5,270,193
 INCREASE IN NET ASSETS	 712,488	 1,467,345
 Net assets, beginning of year	 22,040,781	 20,993,246
Prior period audit adjustments (Note 11)	(49,347)	(419,810)
Net assets, end of year	\$ 22,753,269	\$ 22,040,781

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

STARK AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Totals for the Year Ended December 31, 2005)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	\$ 1,202,638	\$ 1,122,521
Gross cash payments to suppliers for goods & services	(4,910,926)	(3,509,650)
Gross cash payments to employees for salaries and wages	(6,926,903)	(6,368,348)
Gross cash payments for employees benefits	(3,232,748)	(3,753,937)
Gross other (Note 1)	(138,075)	(107,773)
Net cash used in operating activities	\$ (14,006,015)	\$ (12,617,187)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	\$ 11,683,697	\$ 11,476,374
Gross operating & preventive maintenance grants received	1,681,552	890,071
Net cash provided by noncapital financing activities	\$ 13,365,249	\$ 12,366,445
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	\$ 2,893,940	\$ 4,388,104
Gross state capital grant revenue	-	1,192,145
Gross acquisition of fixed assets & work in process	(3,041,615)	(5,504,949)
Net cash used in capital and related financing activities	\$ (147,675)	\$ 75,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	\$ 26,928	\$ 51,800
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (761,513)	\$ (123,642)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,854,980	1,978,622
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,093,467	\$ 1,854,980
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (16,116,182)	\$ (15,350,548)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	\$ 2,301,805	\$ 2,439,508
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable - trade	\$ (3,986)	\$ (13,850)
(Increase) Decrease in materials & supplies inventory	(14,585)	(31,179)
(Increase) Decrease in prepaid expenses & other assets	(26,306)	164,046
Increase (Decrease) in accounts payable - operations	(338,927)	(60,999)
Increase (Decrease) in accrued payroll	(18,350)	36,065
Increase (Decrease) in accrued payroll taxes	154,945	196,926
Increase (Decrease) in deferred revenue	51,171	(17,561)
Increase (Decrease) in other current liabilities	\$ 4,400	\$ 20,405
NET CASH USED IN OPERATING ACTIVITIES	\$ (14,006,015)	\$ (12,617,187)

The accompanying footnotes are an integral part of the financial statements.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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 79 percent of the Authority's employees at December 31, 2006 were subject to a collective bargaining agreement that expired on January 4, 2007, and negotiations are in process for a new contract that is under extension until September 26, 2007.

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 2, 2006, the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority's operations through June of 2012.

Reporting Entity

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

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

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 preventative maintenance on capital assets funded by the Federal Transit Administration and Ohio Department of Transportation, Office of Transit.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Authority in 2006 began reporting sales tax revenues at gross, and recording the deduction of State Auditor Administrative Expense as an expense under Non-Operating Expenses on the Statement of Revenues and Expenses. Additionally, the 2005 comparative statement has been restated to reflect this change.

Gross other cash received is now reported in the statement of cash flows under the classification operating activities, as a more accurate listing from minor cash receipts. The comparative 2005 cash flow statement has been restated to reflect the above change.

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

Effective January 1, 2001, the Authority implemented 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 principle 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.

Assets, Liabilities and Net Assets or Equity

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.

Investments

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

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

Materials and Supplies Inventory 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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Materials and Supplies Inventory and Prepaid Items (continued)

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.

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 \$50 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 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 Assets.

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

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 Federal Transit Administration (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 grants receivables and credited to non-operating revenues when

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD)

Recognition of Revenue, Receivables and Deferred Revenues (continued)

the related capital expenditures are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivables 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.

Federal and State Operating and Preventative Maintenance Assistance Funds

Federal and state operating and preventative 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, and has restated 2005 and stated 2006 with 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. Accrued vacation time must be used or cashed in within the calendar year after accrued. Unused vacation benefits are paid to the employees upon separation from service.

It is the Authority's policy to allow administrative employees to accumulate earned but unused sick leave. Administrative employees are paid accrued sick days upon separation from service at fifty percent value, at current earnings rate.

2. CASH AND CASH EQUIVALENTS

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") or may pledge a pool of government securities valued at a minimum of 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specified

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

2. CASH AND CASH EQUIVALENTS (CONT'D)

government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require public deposits and investments to be maintained in the Authority's name.

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

Deposits

The carrying amount of the Authority's deposits was \$1,092,401 at December 31, 2006 bank balance. Deposits of \$100,000 were covered by federal depository insurance at December 31, 2006. The \$992,401 remaining balance was uncollateralized, as defined by GASB. However, all of this balance was collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Investments

As of December 31, 2005, the Authority had the following investment:

<u>Investment</u>	<u>2006 Fair Value</u>	<u>2005 Fair Value</u>
State Treasurer's Investment Pool (StarOhio)	\$18,541	\$17,659

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 to Ohio Investment Pool to less than twelve months. Star Ohio's weighted average maturity was thirty-five days (.096 years).

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>2006 Investment</u>	<u>Fair Value</u>	<u>Investment maturity in years</u>	
		<u>Less than one year</u>	<u>One to five years</u>
State Treasurer's Investment Pool (StarOhio)	\$18,541	18,541	-0-

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

2. CASH AND CASH EQUIVALENTS (CONT'D)

Investments (continued)

<u>Investment</u>	<u>Fair Value</u>	<u>Investment maturity</u>	
		<u>in years</u>	
		<u>Less than one year</u>	<u>One to five years</u>
2005 State Treasurer's Investment Pool (StarOhio)	\$17,659	\$17,659	-0-

Credit Risk

As of December 31, 2006, Standard & Poor's rated the Authority's investment in the State Treasurer's Pool AAAM.

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 does not have a deposit policy for custodial credit risk. As of December 31, 2006, \$992,401 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. Of the investment in StarOhio of \$18,541, the Authority has a custodial credit risk exposure of \$18,541 because the securities are uninsured, unregistered and held by StarOhio which is also the counter party for these particular securities. The Authority's investment policy limits investments to CDs and StarOhio.

3. TAX REVENUES

The current .25 per cent sales tax levy expires in June of 2007. On May 2, 2006, the voters of Stark County renewed the .25 percent sales tax levy. The prior levy will expire in June of 2007; however, the Authority sought and won the extension until June of 2012 on the May 2, 2006 ballot. 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.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 was as follows:

Capital Assets & Depreciation	Balance 1/1/2006	Additions	CIP Transfers & Disposals	Balance 12/31/2006
Capital Assets Not Being Depreciated:				
Land	\$ 274,542.59	\$0	\$0	\$ 274,542.59
Construction & Projects in Progress	6,633,012	3,276,003	595,715	9,313,301
Total Capital Assets Not Depreciated	6,907,555	3,276,003	595,715	9,587,843.80
Capital Assets Being Depreciated:				
Buildings & Improvements	9,305,845	320		9,306,165
Transportation Equipment	15,438,657	140,287	1,213,868	14,365,076
Other Equipment	3,005,888	172,034	96,381	3,081,541
Total Capital Assets being Depreciated	27,750,390	312,641	1,310,249	26,752,782
Total Capital Assets	34,657,945	3,588,644	1,905,964	36,340,625
Net Capital Assets				
Buildings & Improvements	3,484,930	245,313		3,730,243
Transportation Equipment	10,098,147	1,428,486	912,804	10,613,829
Other Equipment	2,280,300	559,507	388,946	2,450,861
Total Accumulated Depreciation	15,863,377	2,233,306	1,301,751	16,794,932
Total Capital Assets, Net	\$18,794,568	\$4,744,532	\$ 604,213	\$19,545,694

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 that has elements of both a defined benefit and a defined contribution 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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

5. RETIREMENT BENEFITS (CONT'D)

Plan Description (continued)

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.
- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2006 member contribution rates were 9.0% for members in state, local and public safety classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%.

The 2006 employer contribution rate for state employers was 13.54% 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. The Authority, due to contractual agreement with the Union, pays the employee contribution for the union employees, up to 12.5%, with the balance paid by the Union employees. The Authority has opted to fund the full employee contribution amounts for non-union employees. The Authority's contributions for 2006, 2005, and 2004, were \$926,791, \$880,735, \$991,785, respectively.

Post-Retirement Benefits

- A. OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. 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 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.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

5. RETIREMENT BENEFITS (CONT'D)

Post-Retirement Benefits (continued)

In order to qualify for post retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability 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 12 and GASB Statement 45.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, state employers contributed at a rate of 13.54% of covered payroll, local government employer units (which includes the Authority) contributed at 13.70% of covered payroll, and public safety and law enforcement employer units contributed at 16.93%. The portion of employer contributions for all employers allocated to health care was 4.5%.

- B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.
- C. OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits.
- D. Summary of Assumptions:
- Actuarial Review — The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2005.
 - Funding Method — An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.
 - Assets Valuation Method — All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.
 - Investment Return — The investment assumption rate for 2005 was 6.5%.
 - Active Employee Total Payroll — An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

5. RETIREMENT BENEFITS (CONT'D)

Post-Retirement Benefits (continued)

This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00%, were assumed to range from 0.50% to 6.30%.

- Health Care — Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (year 10 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).
- E. OPEBs are advance-funded on an actuarially determined basis. The following disclosures were required:
1. Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804.
 2. The rates stated in Section A of Plan Description, above, are the actuarially determined contribution requirements for OPERS. Multiplying actual contributions by .3285, which is \$504,493, approximates the portion of the Authority's employer contributions used to fund post-employment benefits for 2006. For the years of 2005 and 2004, the amounts were \$343,259 and \$415,402, respectively.
- F. The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005.
- G. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.3 billion and \$20.2 billion, respectively.
- H. The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.
- I. 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.
- J. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

6. CONTINGENCIES AND COMMITMENTS

The Authority was a defendant in two lawsuits for which favorable decisions were rendered on behalf of the Authority but that are still subject to the appeals process. Both pertain to matters that are immaterial to financial position and operating results.

Federal and State Grants

Under the terms of various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant.

At December 31, 2006 there were no significant questioned costs that had not been resolved with the applicable federal and state agencies.

Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

Commitments

The Authority had outstanding commitments to complete the re-construction of the Gateway Facility for \$34,025, commitments with contracts for the construction of the new Alliance station for \$24,289, and also had a commitment to complete installation of the Advanced Communications system in the amount of \$1,448,053.

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:

	<u>2005</u>	<u>2006</u>
STATE OPERATING GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE:		
ODOT Elderly Fare Assistance	\$ 97,639	\$ 100,640
ODOT Fuel Tax Reimbursement	<u>\$ 163,830</u>	<u>\$ 174,572</u>
TOTAL	<u>\$ 261,469</u>	<u>\$ 275,212</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 10 (as of December 31, 2006) member transit agencies. The Authority pays

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

8. RISK MANAGEMENT (CONT'D)

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.

Current coverage is purchased for commercial property losses in excess of \$100,00 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 coverages. 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 Authorities 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.

9. LEASES

The Authority has the following leases outstanding as of December 31, 2006:

- (A) The Authority in January 1999 entered into a ten-year lease with Verner A. Bonfert for the use of the transfer station in Alliance, Ohio. As part of this agreement the monthly lease payments were \$450 per month for the years 2004 and \$475 per month in 2005 and \$500 per month for the years 2006 through 2008. It is currently anticipated that the Authority will vacate the Alliance station prior to lease end, on or about August of 2007. In addition, the Authority agreed to contribute \$175,000 in the form of improvements at the transfer station.
- (B) 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 \$1.00 during the primary term of the lease. The Authority agreed to contribute \$2,000,000 for leasehold improvements at the facility.
- (C) The Authority, by approval of the Board, leased a vehicle in the net amount of \$677.05 per month for 36 months ending December of 2008, in accordance with the employment contract for the Executive Director/CEO.

**STARK AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

9. LEASES (CONT'D)

(D) The Authority acquired two copiers, which were leased in March 2006 for a period of thirty-six (36) months for an amount of \$518.00 per month.

10. PRIOR PERIOD ADJUSTMENTS

The 2005 audited financial statements included the following error, which overstate ending net assets at December 31, 2005. The error was corrected in 2006.

Capital Grant Revenue was overstated by \$49, 347.

**Statistical
Section
2006**

Financial Trend Information 2006 (Unaudited)

- **Table 1 – Net Assets and Fund Balances**
- **Table 2 – Changes In Net Assets and
Changes in Fund Balances**

STARK AREA REGIONAL TRANSIT AUTHORITY
NET ASSETS/FUND BALANCES BY COMPONENT
FOR THE LAST FOUR FISCAL YEARS
(Unaudited)

Table 1

	2006	2005	2004	2003
NET ASSETS/FUND BALANCES				
Invested in Capital Assets	\$ 19,545,695	\$ 18,794,568	\$ 15,566,390	\$ 14,524,021
Restricted	-	124,842	529,449	211,276
Unrestricted (Deficits)	3,207,574	3,121,371	4,897,408	5,068,167
TOTAL NET ASSETS/FUND BALANCES	<u>\$ 22,753,269</u>	<u>\$ 22,040,781</u>	<u>\$ 20,993,247</u>	<u>\$ 19,803,464</u>

Source: Stark Area Regional Transit Authority's Financial Statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CHANGES IN NET ASSETS/FUND BALANCES
FOR THE LAST FOUR FISCAL YEARS
(Unaudited)

Table 2

	2006	2005	2004	2003
OPERATING REVENUES				
Passenger Fares	\$ 914,960	\$ 877,269	\$ 797,554	\$ 788,246
Special Transit Fares	272,361	220,836	146,432	122,500
Auxiliary Transportation Revenue	31,388	38,267	57,483	40,306
TOTAL OPERATING REVENUES	\$ 1,218,709	\$ 1,136,372	\$ 1,001,469	\$ 951,052
OPERATING EXPENSES				
Labor	\$ 6,237,293	\$ 5,958,496	\$ 6,381,800	\$ 5,680,342
Fringe Benefits	4,852,882	4,597,730	3,652,213	3,810,667
Materials & Supplies	1,914,954	1,778,542	1,207,937	998,117
Services	763,943	743,478	434,678	378,009
Utilities	285,521	230,473	203,814	194,100
Casualty & Liability	708,362	660,774	671,035	577,728
Leases & Rentals	11,044	6,648	5,456	5,810
Miscellaneous	121,012	71,270	539,293	549,446
TOTAL OPERATING EXPENSES				
Before Depreciation Expense	\$ 14,895,012	\$ 14,047,411	\$ 13,096,226	\$ 12,194,219
OPERATING LOSS				
Before Depreciation Expense	\$ (13,676,303)	\$ (12,911,039)	\$ (12,094,757)	\$ (11,243,167)
Depreciation Expense	2,301,806	2,439,508	2,425,655	2,636,151
OPERATING LOSS	\$ (15,978,108)	\$ (15,350,547)	\$ (14,520,412)	\$ (13,879,318)
NON-OPERATING REVENUES (EXPENSES)				
Sales Tax Proceeds	\$ 11,683,697	\$ 11,384,241	\$ 11,430,900	\$ 10,739,684
Federal Preventative Maintenance	1,228,565	639,246	775,000	1,614,143
State Preventative Maintenance	301,053	153,186	240,000	320,001
Elderly & Disables Assistance	100,641	97,639	48,290	83,680
Federal Planning Grants	-	-	-	37,699
State Planning Grants	-	-	5,966	36,773
Local Grants	-	-	6,820	17,500
Investment/Interest Income	26,928	52,776	24,751	15,785
Gain (Loss) on Disposal	(3,046)	1,660	1,567	(38,807)
Non-Transportation Revenue	20,573	20,884	40,933	-
Sales Tax Collection Expense (Note 1)	(138,075)	-	-	-
Special Item*	-	(9,500)	-	-
NON-OPERATING REVENUES/EXPENSES - NET	\$ 13,220,336	\$ 12,340,132	\$ 12,574,227	\$ 12,826,458
CAPITAL GRANT REVENUE				
Federal Capital Grant	\$ 3,519,606	\$ 4,175,826	\$ 2,669,397	\$ 3,721,054
State Capital Grant	-	301,935	540,873	-
TOTAL CAPITAL GRANTS	\$ 3,519,606	\$ 4,477,761	\$ 3,210,270	\$ 3,721,054
CHANGE IN NET ASSETS/FUND BALANCES				
Net Assets, Beginning Balance	\$ 761,834	\$ 1,467,346	\$ 1,264,085	\$ 2,668,194
Net Assets, Ending Balance	22,040,782	20,993,246	19,803,464	16,734,726
Prior Period Auditor Adjustments	(49,347)	(419,810)	(74,303)	400,544
Net Assets, Ending Balance	\$ 22,753,269	\$ 22,040,782	\$ 20,993,246	\$ 19,803,464

Revenue Capacity Information 2006 (Unaudited)

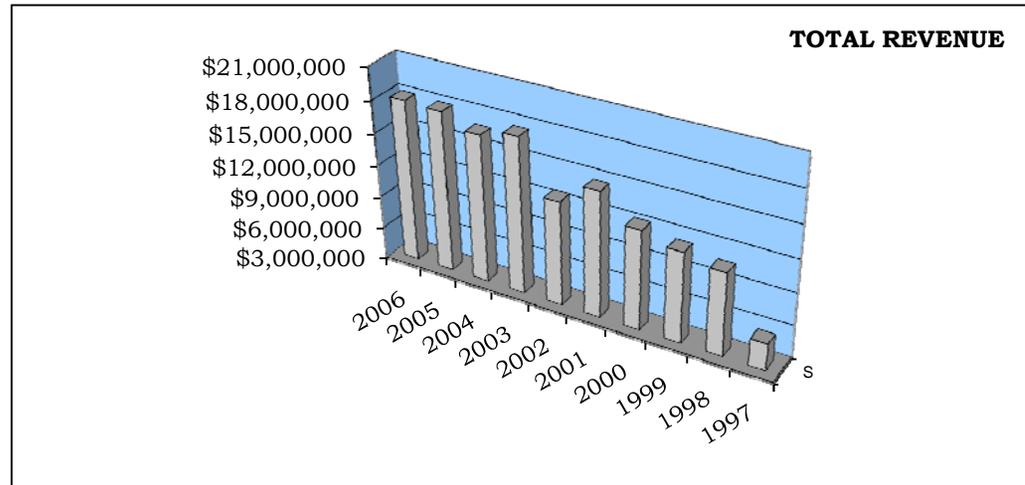
- **Table 3 – Revenue Base**
- **Table 4 – Passenger Revenue Rates**
- **Table 5 – Sales Tax Revenue**

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

Rounded to The Nearest Dollar
(Unaudited)

Table 3

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
FARES	\$1,187,321	\$1,098,105	\$1,001,469	\$951,052	\$1,002,220	\$1,074,349	\$1,053,891	\$967,475	\$704,657	\$515,903
SALES TAX	\$11,683,697	\$11,384,241	\$11,430,900	\$10,739,684	\$10,603,218	\$10,237,386	\$10,765,546	\$9,876,829	\$9,071,557	\$3,600,439
FEDERAL:										
Operating Grants	\$0	\$0	\$0	\$37,699	\$0	\$25,512	\$54,488	\$0	\$0	\$528,973
Capital Grant Reimbursements	\$4,748,171	\$4,815,072	\$3,444,397	\$4,743,099	\$966,450	\$2,213,401	\$0	\$0	\$0	\$0
STATE:										
Operating Grants & Special Fare Assistance	\$100,641	\$97,639	\$54,256	\$120,453	\$96,231	\$227,279	\$224,542	\$355,426	\$674,756	\$699,101
Capital Grant Reimbursements	\$301,053	\$455,121	\$780,873	\$912,099	\$43,255	\$795,504	\$0	\$0	\$0	\$0
LOCAL:										
Operating grants & Reimbursement	\$0	\$0	\$6,820	\$17,500	\$0	\$0	\$0	\$0	\$0	\$0
Property Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$87,455	\$108,117
Nontransportation	\$20,573	\$20,884	\$40,933	\$11,041	\$4,212	\$19,421	\$10,096	\$48,799	\$44,084	\$2,837
Misc Income	\$58,316	\$91,043	\$26,318	\$15,785	\$17,607	\$82,739	\$172,612	\$166,252	\$159,496	\$41,854
	\$18,099,772	\$17,962,105	\$16,785,966	\$17,548,412	\$12,733,193	\$14,675,591	\$12,281,175	\$11,414,781	\$10,742,005	\$5,497,224



STARK AREA REGIONAL TRANSIT AUTHORITY
2006 Passenger Revenue Rates
(Unaudited)

Table 4

ROUTE	TICKET/PASS	SINGLE FARE TICKET	10-RIDE TICKET	31-DAY PASS
REGULAR FIXED ROUTE		\$1.00	\$10.00	\$35.00
REDUCED FIXED ROUTE		\$0.50	\$5.00	\$20.00
PROLINE/CURB-TO-CURB		\$1.50	\$15.00	\$51.00
STUDENT FIXED ROUTE				\$20.00

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 \$.50 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 \$1.00 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 ride free.

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

Source: www.sartaonline.com

STARK AREA REGIONAL TRANSIT AUTHORITY
SALES TAX REVENUE
(Unaudited)

Table 5

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
SALES TAX REVENUE	\$11,683,697	\$11,384,241	\$11,430,900	\$10,739,684	\$10,603,218	\$10,237,386	\$10,765,546	\$9,876,829	\$9,071,557	\$3,600,439
POPULATION*	380,575	380,608	380,545	380,280	379,386	376,617	378,098	367,585	367,585	3,675,885
SALES TAX PER CAPITA	\$30.70	\$29.91	\$30.04	\$28.24	\$27.95	\$27.18	\$28.47	\$26.87	\$24.68	\$0.98

* Population

Years 1997-2000 - Source: Population Division, US Census Bureau

Years 2001-2006 - Source: Annual Estimates of the Population for the Counties of Ohio

**Debt Capacity
Information
2006
(Unaudited)**

- **Table 6 – Debt Service**

STARK AREA REGIONAL TRANSIT AUTHORITY
Debt Service
(Unaudited)

Table 6

YEAR	REVENUES (1)	EXPENSES (2)	DEBT SERVICE	PRINCIPAL	INTEREST	DEBT (3)	COVERAGE
1997	5,497,224	4,586,617	910,607	80000(4)	2,520	0	11.03
1998	10,742,005	8,912,528	1,829,477			0	0
1999	11,414,781	10,788,263	626,518	-	-	0	626518
2000	12,122,222	13,401,580	(1,279,358)			0	0
2001	11,666,686	12,876,259	(1,209,573)			0	0
2002	11,723,488	11,758,172	(34,684)			0	0
2003	11,893,214	12,244,067	(350,853)			0	0
2004	12,560,696	13,096,226	(535,530)			0	0
2005	13,350,547	14,047,411	(696,864)			0	0
2006	14,580,166	15,174,207	(594,041)			0	0

(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) SARTA since 1997 has had no long-term debt

(4) SARTA issued \$400,000 in tax anticipation notes during the year ended 12/31/92

Interest was paid semi-annually at 6% until final maturity on July 1, 1997

Since 1997, SARTA has not issued debt. In 1997, the first sales tax levy passed. This funding source (sales tax) has been utilized for all local funding to the present day.

Demographic & Economic Information 2006 (Unaudited)

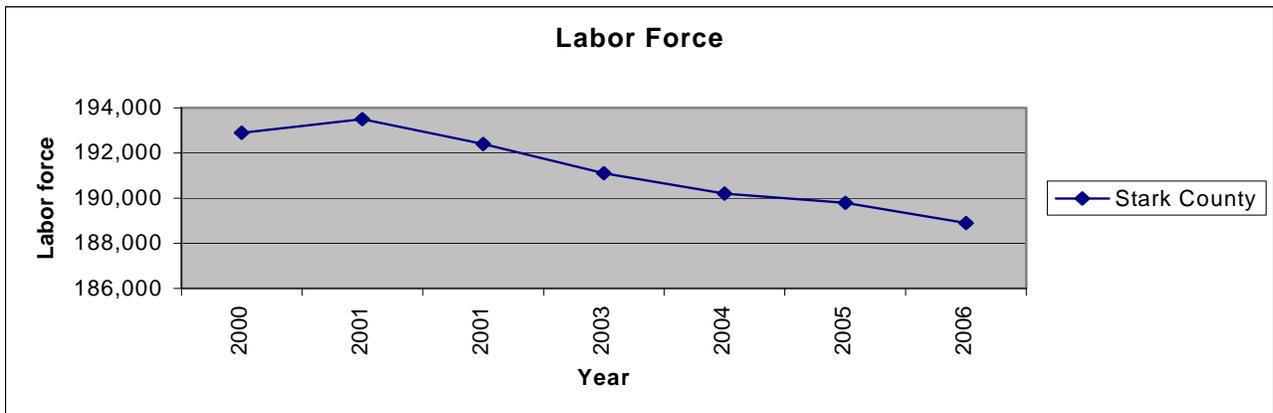
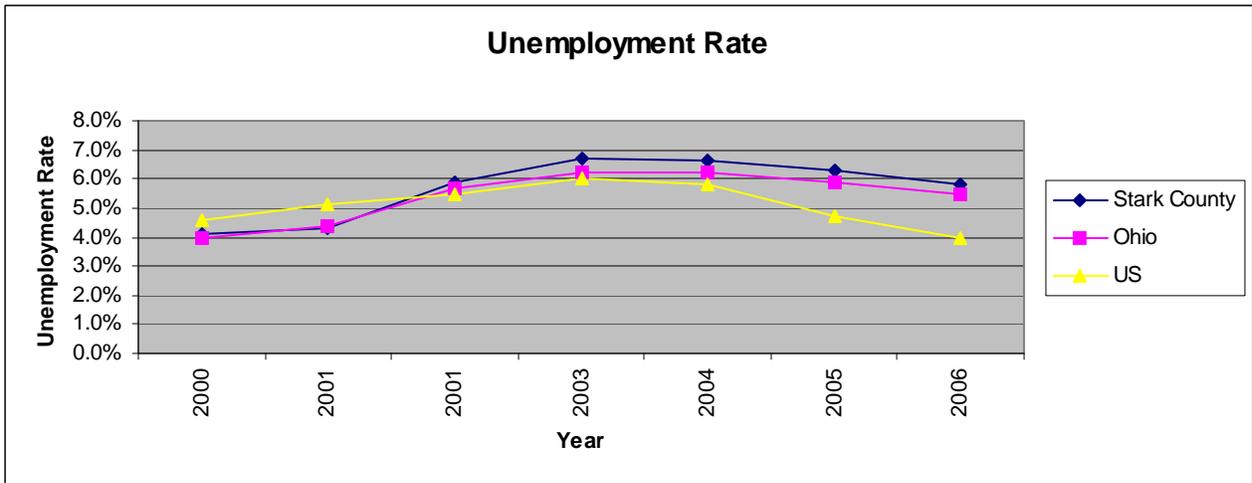
- **Unemployment Rate**
- **Labor Force**
- **Per Capita Personal Income**
- **Personal Income**
- **Population**
- **Population – 16 years and over**
- **Commuting to Work – 16 years
and over**
- **Occupation - Employed Civilian
Population 16 years and over**
- **Industry**
- **Income in 1999**

- **Table 7 – Demographic and Economic Indicators**
- **Table 8 – Principal Employers**

ECONOMIC CONDITION AND OUTLOOK

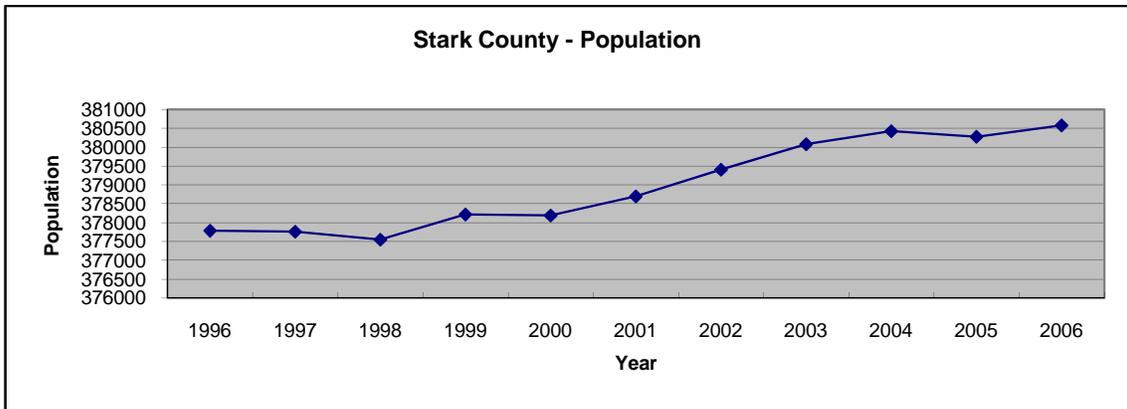
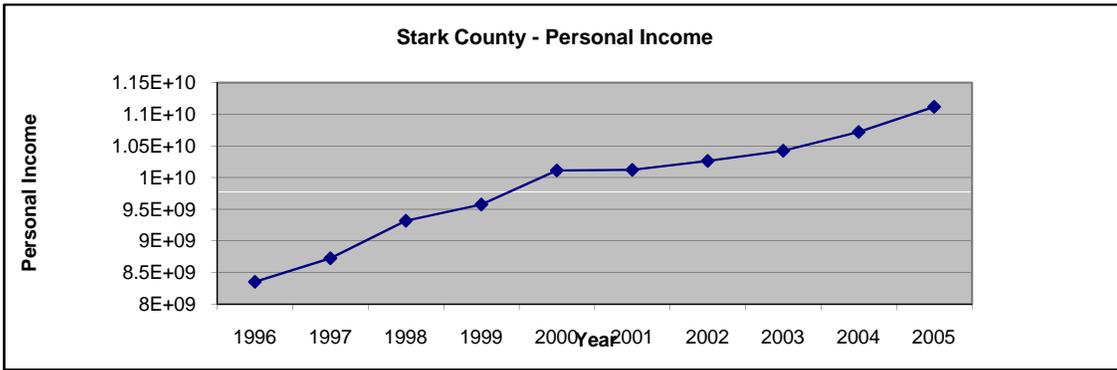
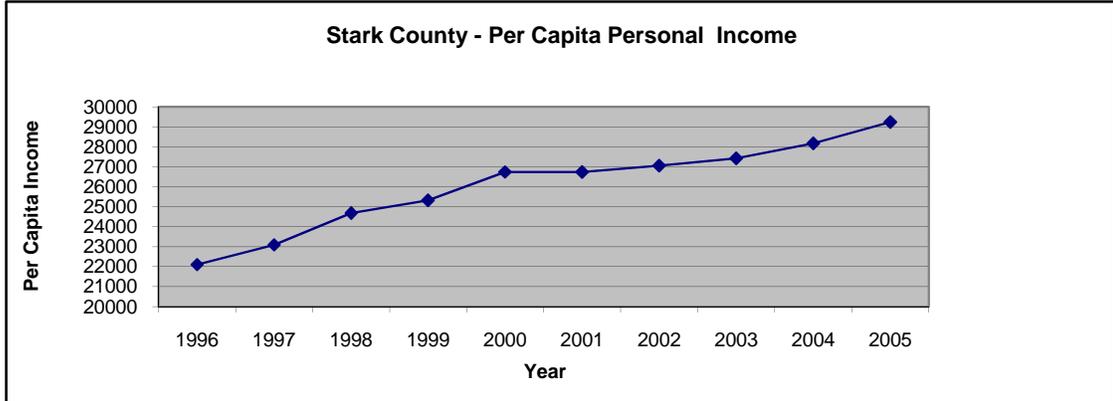
Stark County, Ohio covers an area of 567 square miles. SARTA's service area is within the boundaries of Stark County, Ohio. The County consists of nineteen municipalities (cities and villages) and seventeen townships. The seat of the county government is the City of Canton. The 2000 Census population is 378,098 and the estimated population in 2006 is 380,575.

Manufacturing has been the foundation for the economy of Stark County and the area has suffered with the loss of jobs in that sector. In recent years, Stark County's economic development emphasis has been on the non-manufacturing sector. Several manufacturing companies remain among the largest employers, but now there are also numerous large service industry employers in the county. The Timken Company, Aultman Hospital and Stark County Government are the three largest employers.



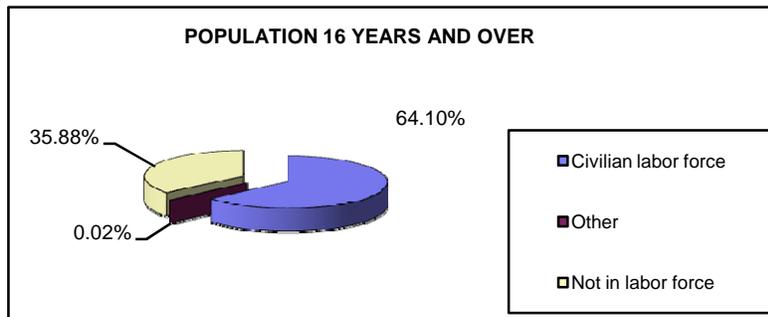
Note: Statistics obtained from the Ohio Department of Development and the Ohio Workforce Informer. The data is the latest available data at the time of publication.

ECONOMIC CONDITION AND OUTLOOK



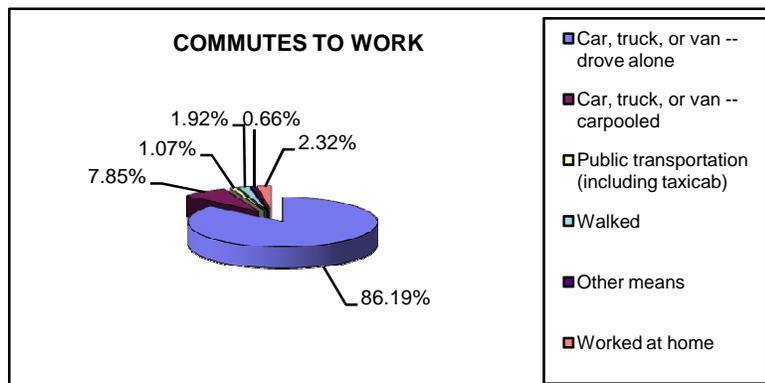
SARTA
STARK COUNTY DEMOGRAPHICS
 Census 2000

	Number	Percent
Population 16 years and over	295,090	100%
Civilian labor force	189,161	64.10%
Other	58	0.02%
Not in labor force	105,871	35.88%



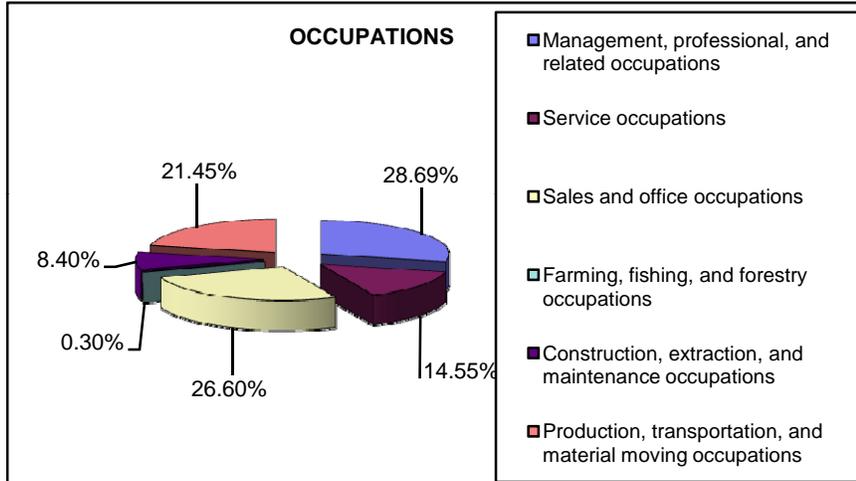
COMMUTING TO WORK

	177,234	100%
Workers 16 years and over		
Car, truck, or van -- drove alone	152,750	86.19%
Car, truck, or van -- carpoled	13,906	7.85%
Public transportation (including taxicab)	1,896	1.07%
Walked	3,408	1.92%
Other means	1,167	0.66%
Worked at home	4,107	2.32%
Mean travel time to work (minutes)	21.3	N/A



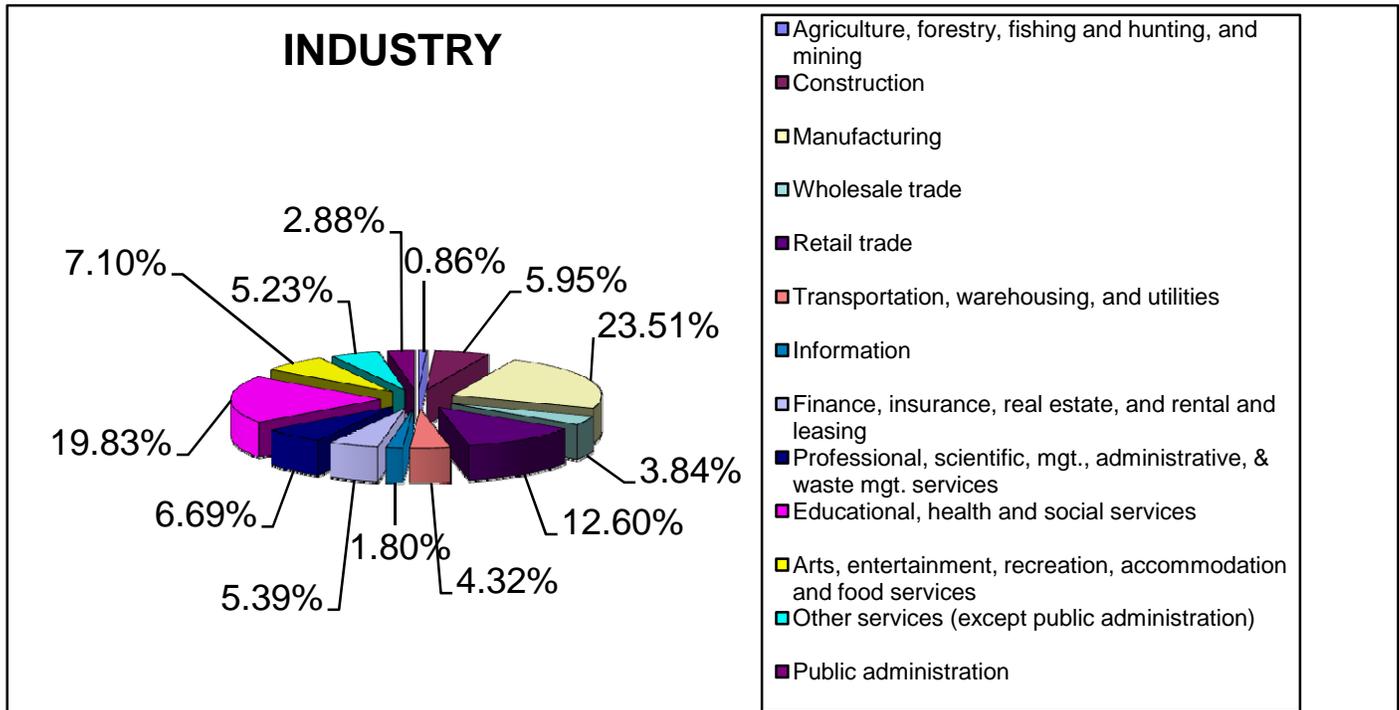
SARTA
STARK COUNTY DEMOGRAPHICS
 Census 2000

Employed civilian population 16 years and over	180,590	100%
OCCUPATION		
Management, professional, and related occupations	51,810	28.69%
Service occupations	26,278	14.55%
Sales and office occupations	48,044	26.60%
Farming, fishing, and forestry occupations	541	0.30%
Construction, extraction, and maintenance occupations	15,172	8.40%
Production, transportation, and material moving occupations	38,745	21.45%



SARTA
STARK COUNTY DEMOGRAPHICS
 Census 2000

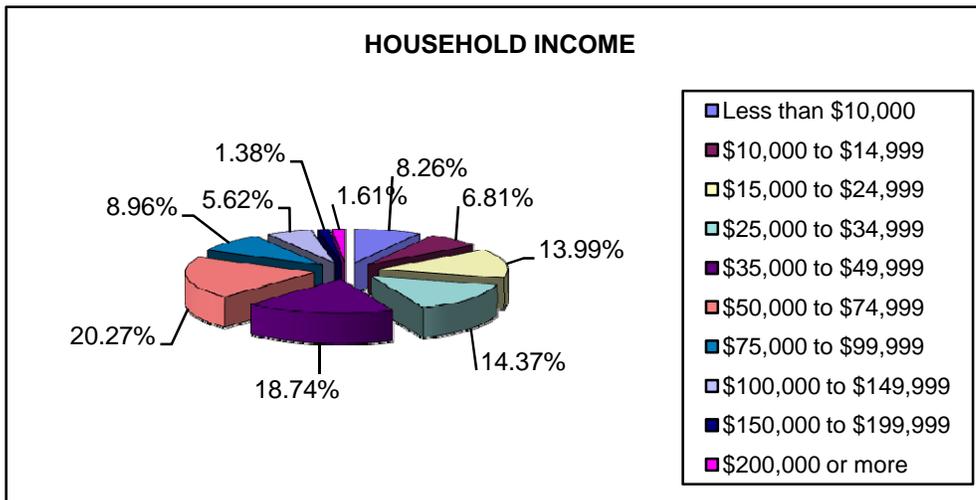
INDUSTRY	180,590	100.00%
Agriculture, forestry, fishing and hunting, and mining	1,558	0.86%
Construction	10,739	5.95%
Manufacturing	42,454	23.51%
Wholesale trade	6,943	3.84%
Retail trade	22,753	12.60%
Transportation, warehousing, and utilities	7,798	4.32%
Information	3,243	1.80%
Finance, insurance, real estate, and rental and leasing	9,733	5.39%
Professional, scientific, mgt., administrative, & waste mgt. services	12,086	6.69%
Educational, health and social services	35,820	19.83%
Arts, entertainment, recreation, accommodation and food services	12,825	7.10%
Other services (except public administration)	9,437	5.23%
Public administration	5,201	2.88%



SARTA
STARK COUNTY DEMOGRAPHICS
 Census 2000

INCOME IN 1999

Households	148,323	100%
Less than \$10,000	12,250	8.26%
\$10,000 to \$14,999	10,105	6.81%
\$15,000 to \$24,999	20,744	13.99%
\$25,000 to \$34,999	21,309	14.37%
\$35,000 to \$49,999	27,793	18.74%
\$50,000 to \$74,999	30,062	20.27%
\$75,000 to \$99,999	13,287	8.96%
\$100,000 to \$149,999	8,342	5.62%
\$150,000 to \$199,999	2,050	1.38%
\$200,000 or more	2,381	1.61%
Median household income (dollars)	39,824	N/A



STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY DEMOGRAPHICS

Population by Age / Race - 2000

Table 7

Age Breakdown

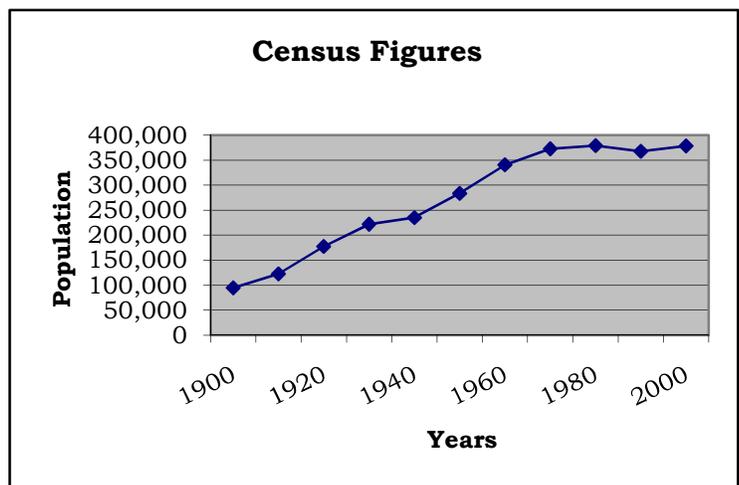
Total Population	378,098
Total Male Population	181,588
Population	196,510
Under 5 years old	24,167
5 - 9 years old	26,387
10-14 years old	27,196
15-19 years old	26,446
20-24 years old	21,069
25-34 years old	46,097
35-44 years old	59,031
45-54 years old	54,624
55-59 years old	19,823
60-64 years old	16,204
65-74 years old	29,055
75-84 years old	21,204
85+ years old	6,795
Median Age	38

Race Breakdown

One Race Caucasian	341,342
One Race Black	27,219
American	920
One Race Asian	2,059
Hispanic	3,492

Census Figures

1900	94,747
1910	122,987
1920	177,218
1930	221,784
1940	234,887
1950	283,194
1960	340,345
1970	372,210
1980	378,823
1990	367,585
2000	378,098



STARK COUNTY'S MAJOR EMPLOYERS

Stark County has a diverse, educated labor force. The largest percentage (26.5%) of the companies is classified as service and manufacturing employs 26%.

With other industries as follows:

- Wholesale & Retail Trade – 25%
- Government – 10%
- Construction – 5%
- Finance, Insurance & Real Estate – 4%
- Transportation & Utilities – 3%
- Agriculture & Mining – less than 1%

The major employers in Stark County are:

- Aultman Hospital (www.aultman.com)
- Canton City School Districts (www.ccsdistrict.org)
- Diebold, Inc. (<http://diebold.com>)
- Mercy Medical Center (www.cantonmercy.com)
- PPC Airfoils, Inc. (www.pccair.com)
- The Timken Company (<http://timken.com>)

Source: <http://wneo.org/stark/industry.html>

Additional Information from the above employers' websites:

Aultman Hospital services Stark and surrounding counties since 1892 and currently has 682 beds with 530 active physicians in 43 different medical specialties and a staff of more than 5,000. Aultman is Stark County's largest hospital.

Canton City School District is the largest in Stark County with an enrollment of approximately 10,600 students. It is comprised of two high schools, four middle schools, sixteen elementary schools, one preschool and an early childhood kindergarten center. In addition, the district operates five alternative high schools, one alternative middle school and helps operate a Montessori school, a Digital Academy, and Arts Academy and an educational facility inside a juvenile attention center.

Diebold, Inc. develops, implements and services the world's most advanced self-service and security solutions. Years ago, we mainly served financial institutions. During the past few decades, however, we have successfully introduced self-service and security technology to the retail, pharmacy, election, government and gaming markets.

Mercy Medical Center is part of a 50/50 nonprofit corporation formed in June 1999 between the Sisters of Charity of St. Augustine Health System and University Hospitals Health System.

Mercy Medical Center is a 476-bed hospital serving Stark, Carroll, Wayne, Holmes and Tuscarawas Counties and parts of Southeastern Ohio. It has 550 physicians on its Medical Staff and employs 2,500 people. Mercy operates six outpatient health centers in North Canton, Carrollton, Jackson Township, Lake Township and Louisville.

Mercy Medical Center is a Catholic hospital, which upholds all Catholic faith obligations and the mission and philosophy of the Sisters of Charity of St. Augustine, and continues to be responsive to the needs of the community, including the provision of care to all, regardless of their ability to pay.

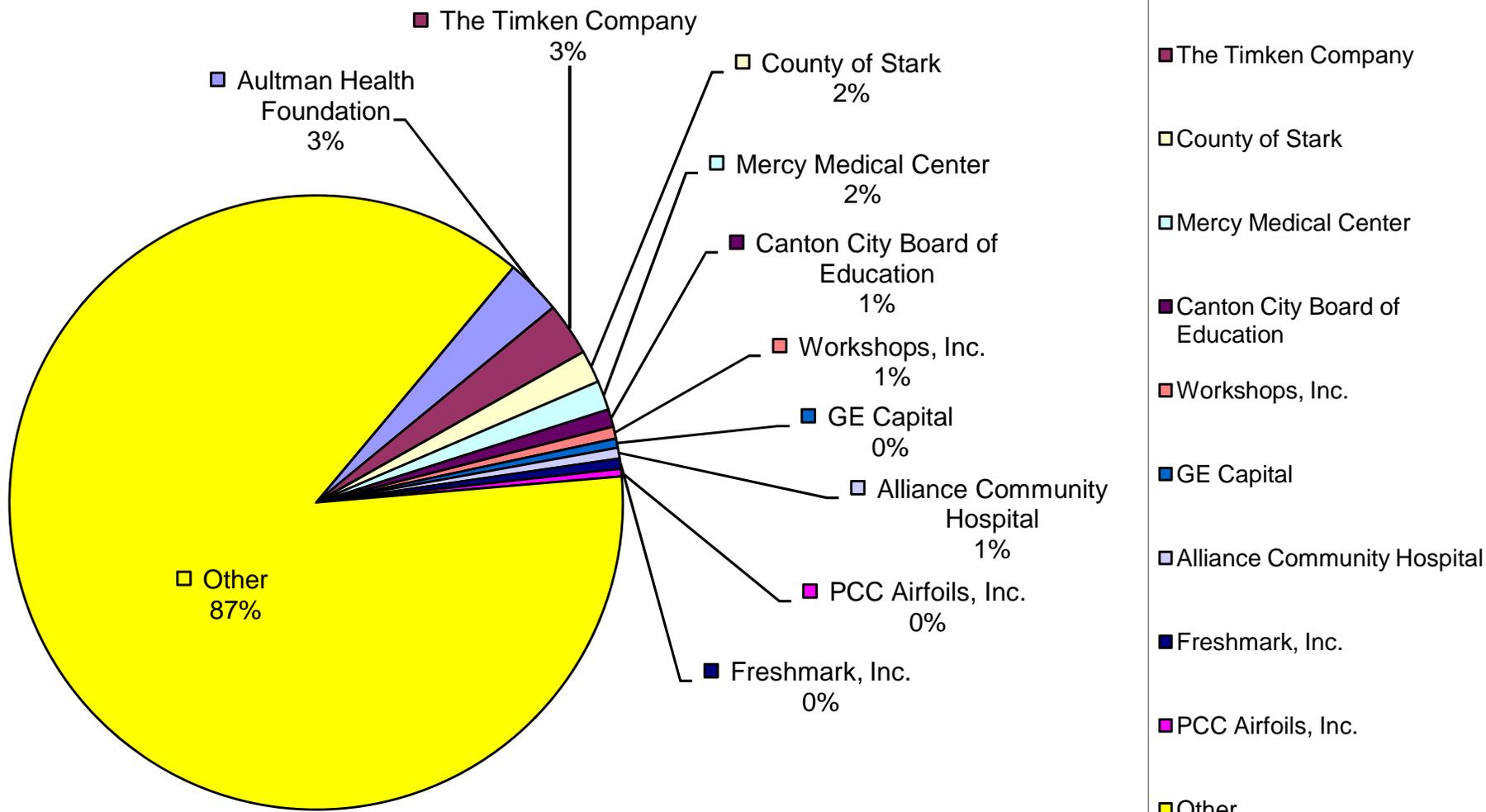
PCC Airfoils, Inc. is a division of Precision Castparts Corporation, headquartered in Portland, Oregon. The company employs over 10,000 people worldwide, and had sales of US \$1.3 billion in fiscal year 1998. It has manufacturing facilities in Ohio, Georgia, North Carolina, and England with markets, which include Aircraft Engines, Aeroderivative Engines, and Industrial Gas Turbines.

PCC Airfoils has achieved its preeminent position in the manufacture of aircraft engine blades and vanes and is rapidly gaining market share in the Industrial Gas Turbines industry through pushing the boundaries of Advanced Technology.

For the past several years, PCC Airfoils has been ramping up its production capacity to meet the increased aerospace demand and to prepare for a significant number of new Industrial Gas Turbine parts. Several new, state-of-the-art casting furnaces were installed in four PCC Airfoils' facilities and three facilities added dip lines to handle the increased volume.

The Timken Company (NYSE: TKR, <http://www.timken.com>) keeps the world turning, with innovative friction management and power transmission products and services, enabling our customers to perform faster and more efficiently. With sales of \$5.0 billion in 2006, operations in 26 countries and approximately 25,000 employees, Timken is Where You Turn™ for better performance.

Principal Employers 2006



STARK AREA REGIONAL TRANSIT AUTHORITY
Principal Employers (Last Five Years)
December 31, 2006

Table 8

	2006		2005		2004		2003		2002	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
Ten Largest Employers										
Aultman Health Foundation	4,914	2.93%	4,978	3.00%	4,680	2.83%	4,600	2.80%	3,800	2.34%
The Timken Company	4,686	2.79%	4,896	2.95%	4,771	2.88%	4,747	2.89%	5,640	3.47%
County of Stark	2,884	1.72%	2,840	1.71%	2,942	1.78%	2,803	1.71%	2,860	1.76%
Mercy Medical Center	2,590	1.54%	2,531	1.52%	2,534	1.53%	2,599	1.58%	2,516	1.55%
Canton City Board of Education	1,565	0.93%	2,629	1.58%	1,600	0.97%	1,750	1.07%	2,000	1.23%
Maytag Corporation (Hoover Company Operations)		0.00%	1,292	0.78%	1,713	1.03%	2,098	1.28%	2,900	1.79%
Workshops, Inc.	1,048	0.62%	1,060	0.64%	1,041	0.63%	1,036	0.63%	960	0.59%
GE Capital	809	0.48%	1,034	0.62%	1,034	0.62%	1,100	0.67%	-	0.00%
Fisher Foods Marketing, Inc.		0.00%	907	0.55%	906	0.55%	1,030	0.63%	1,030	0.63%
Alliance Community Hospital	948	0.57%	929	0.56%	908	0.55%	912	0.56%	-	0.00%
Freshmark, Inc.	906	0.54%	906	0.55%	865	0.52%	957	0.58%	-	0.00%
Republic Technologies Int'l, LLC			-		-		-		1,660	1.02%
PCC Airfoils, Inc.	679		-		-		-		1,250	0.77%
Other	146,734	87.87%								
Total Largest Employers	21,029	12.13%	24,002	14.45%	22,994	13.88%	23,632	14.41%	24,616	13.37%
Total Employment	167,763	100%	166,102		165,656		164,000		162,360	

Source: US Bureau of Labor Statistics, Ohio Department of Development and Employers

Note: Total Employment is estimated at 1% increase

Operating Information 2006

- **Table 9 – Government Employees**
- **Table 10 – Operating Indicators**
- **Table 11 – Capital Assets**

STARK AREA REGIONAL TRANSIT AUTHORITY
Number of Employees and Labor Classification
(Unaudited)

Table 9

CLASSIFICATION / YEAR	2006	2005	2004	2003	2002	2001	2000	1999
VEHICLE OPERATIONS	149	149	149	150	154	208	183	173
VEHICLE MAINTENANCE	30	29	23	32	31	41	22	22
NON-VEHICLE MAINTENANCE	3	3	7	2	2	2	14	12
GENERAL ADMINISTRATION	20	22	30	17	16	13	17	12.5
TOTAL OPERATING LABOR	202	203	209	201	203	264	236	220
TOTAL CAPITAL LABOR	2	2	0	0	0	0	0	0
TOTAL LABOR	204	205	209	201	203	264	236	220

Source: National Transit Database Report

STARK AREA REGIONAL TRANSIT AUTHORITY

Operating Indicators (Unaudited)

Table 10

	2006	2005	2004	2003	2002 *	2001	2000	1999	1998	1997
<u>System Ridership *</u>										
Fixed Route *	2,098,200	1,814,412	1,299,848	1,157,633	1,196,725	1,348,906	1,260,402	1,341,237	1,288,012	734,111
Paratransit	158,622	150,178	135,450	112,756	105,832	95,558	97,155	88,608	67,874	20,804
Shuttles and Specials	92,155	64,008	27,952	N/A						
<u>Average Weekday System Ridership</u>										
Fixed Route	6,773	6,146	3,561	3,771	3,898	4,394	4,092	4,369	4,388	2,391
Paratransit	566	533	371	367	345	326	315	289	248	68
<u>Average Weekday Miles Operated</u>										
Fixed Route	8,597	8,711	6,954	7,083	8,825	10,407	10,641	10,485	11,616	2,607
Paratransit	4,880	4,718	4,455	2,836	3,641	3,320	3,057	2,800	2,256	482
<u>Revenue Miles</u>										
Fixed Route	2,519,313	2,561,836	2,414,981	2,528,612	2,709,275	3,194,896	3,277,323	3,218,969	2,825,427	800,381
Paratransit	1,220,104	1,183,973	1,097,628	1,012,374	1,117,699	1,019,258	941,631	859,498	617,418	147,864
<u>Passenger Miles</u>										
Fixed Route	7,892,852	7,442,335	3,899,544	3,472,899	3,590,175	4,181,609	3,907,246	4,157,835	4,037,371	2,275,744
Paratransit	1,385,939	1,268,802	1,140,136	778,016	730,241	659,350	670,370	611,395	433,561	143,548
<u>Energy Consumption</u>										
Gallons of diesel	646,562	586,863	566,079	607,845	674,334	780,699	860,298	855,243	598,874	227,909
Cost	\$1,430,134	\$876,015	\$705,429	\$604,601	\$706,363	\$897,023	\$916,031	\$465,164	\$449,156	\$167,880
Cost per Gallon	\$2.21	\$1.49	\$1.25	\$0.99	\$1.05	\$1.15	\$1.06	\$0.54	\$0.75	\$0.74
<u>Fleet Requirement</u>										
Fixed Route	34	35	36	36	53	53	58	56	55	40
Paratransit	24	26	44	42	42	42	26	25	18	11
<u>Total Active Vehicles</u>										
Fixed Route	82	42	49	49	71	95	68	58	65	47
Paratransit	41	42	44	42	42	42	31	27	24	24
<u>Number of Employees</u>										
Full Time Equivalent	204	205	209	201	203	264	236	220	234	131

* Ridership decrease due to reduction in service from 1/2 hour to 1 hour in order to balance budget.

STARK AREA REGIONAL TRANSIT AUTHORITY

Expenses By Source - Last Ten Years

Rounded to The Nearest Dollar
(Unaudited)

	2006	2005	2004	2003	2002 *	2001	2000	1999	1998	1997
Labor	\$6,237,294	\$6,039,734	\$6,381,800	\$5,680,342	\$5,545,835	\$6,172,965	\$6,475,880	\$5,646,888	\$4,550,270	\$2,191,556
Fringe Benefits	\$4,852,882	\$4,597,730	\$3,652,213	\$3,810,667	\$3,728,101	\$3,534,124	\$3,311,312	\$3,005,366	\$2,297,587	\$1,099,617
General & Administrative	\$3,947,920	\$3,409,947	\$3,062,213	\$2,703,210	\$2,484,236	\$3,169,170	\$3,614,388	\$2,136,009	\$2,064,671	\$1,298,444
Depreciation	\$2,301,806	\$2,439,508	\$2,425,655	\$2,636,151	\$1,784,152	\$1,867,846	\$1,356,297	\$1,200,171	\$1,030,704	\$880,478
	\$17,339,902	\$16,486,919	\$15,521,881	\$14,830,370	\$13,542,324	\$14,744,105	\$14,757,877	\$11,988,434	\$9,943,232	\$5,470,095

Expenses By Object - Last Ten Years

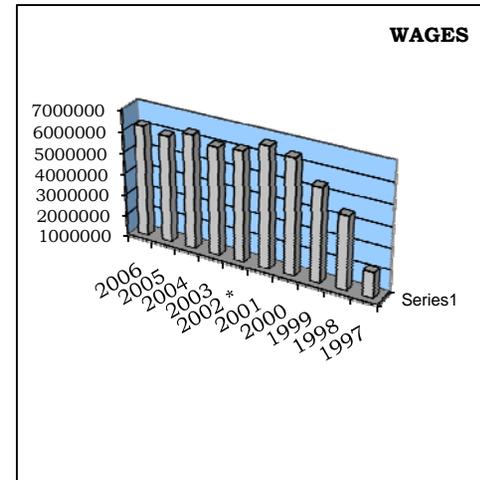
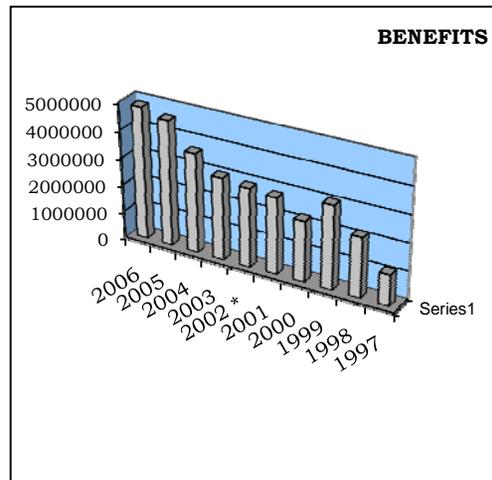
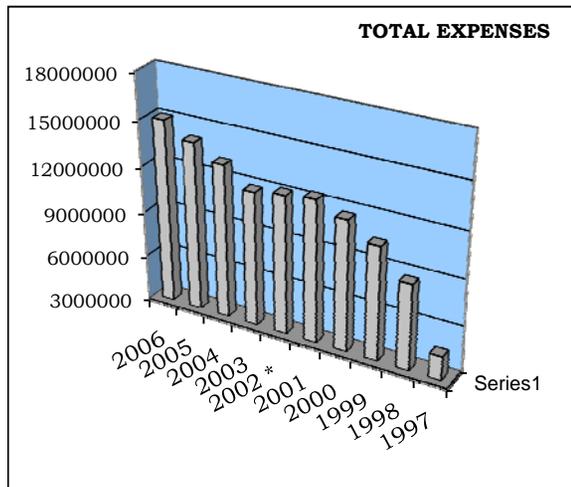
Rounded to The Nearest Dollar
(Unaudited)

	2006	2005	2004	2003	2002 *	2001	2000	1999	1998	1997
Wages	\$6,237,294	\$6,039,734	\$6,381,800	\$6,103,474	\$6,215,003	\$6,718,353	\$6,484,155	\$5,445,046	\$4,465,273	\$2,193,622
Benefits	\$4,852,882	\$4,597,730	\$3,652,213	\$3,009,814	\$2,888,719	\$2,801,036	\$2,223,928	\$3,052,789	\$2,184,141	\$1,123,551
Services	\$763,944	\$743,478	\$434,676	\$497,825	\$524,720	\$420,426	\$343,924	\$263,813	\$409,607	\$261,490
Supplies **	\$2,053,028	\$1,778,542	\$1,207,937	\$1,254,734	\$1,449,992	\$1,610,892	\$1,983,377	\$1,320,628	\$1,137,479	\$565,553
Utilities	\$285,521	\$230,473	\$203,814	\$194,100	\$164,305	\$210,971	\$152,247	\$125,449	\$144,840	\$124,626
Casualty & Liability **	\$688,373	\$598,556	\$671,035	\$609,618	\$478,313	\$270,863	\$109,505	\$61,181	\$174,561	\$135,957
Depreciation	\$2,301,806	\$2,439,508	\$2,425,655	\$2,376,075	\$2,087,004	\$1,891,548	\$1,357,415	\$1,205,201	\$1,030,704	\$880,478
Miscellaneous Expenses	\$157,054	\$58,898	\$544,751	\$162,596	\$397,247	\$333,442	\$313,166	\$205,345	\$118,484	\$145,722
Total Expenses	\$15,038,096	\$14,047,411	\$13,096,226	\$11,832,161	\$12,118,299	\$12,365,983	\$11,610,302	\$10,474,251	\$8,634,385	\$4,550,521

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

* Service reduction occurred in April 2002.

** Later years reflect rising insurance & fuel costs.



STARK AREA REGIONAL TRANSIT AUTHORITY
Capital Asset Statistics
Last Ten Fiscal Years
(Unaudited)

Table 11

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenue Vehicle Inventory										
Heavy Duty Vehicles	41	42	42	42	48	N/A	N/A	N/A	N/A	N/A*
Light Duty Vehicles	41	42	44	44	44	N/A	N/A	N/A	N/A	N/A
Total Revenue Vehicle Inventory	82	84	86	86	92					
Administration/Maintenance Buildings	1	1	1	1	1	N/A	N/A	N/A	N/A	N/A
Transit Stations	3	3	3	2	2	N/A	N/A	N/A	N/A	N/A

Source: National Transit Database Report

*N/A - Not available



Mary Taylor, CPA
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
AUGUST 28, 2007**