

Audited Financial Statements
STARK AREA REGIONAL TRANSIT AUTHORITY

For the years ended December 31, 2010 and 2009

SINGLE AUDIT REPORT
For the year ended December 31, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Stark Area Regional Transit Authority, Stark County, prepared by Dingus and Daga, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 22, 2011

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STARK AREA REGIONAL TRANSIT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the accompanying financial statements of the Stark Area Regional Transit Authority (the "Authority"), as of and for the years ended December 31, 2010 and 2009 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, during the year ended December 31, 2010, the Authority implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of 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.

Dingus and Daga, Inc.

Shaker Heights, Ohio
June 23, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

As the financial management of the Stark Area Regional Transit Authority (Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2010 and 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority's total net assets increased \$7,667,277 or 29.9% in 2010. Buses were replaced during the year and federal capital grant funding increased, contributing to the increase in net assets.

The Authority's net assets in 2009 increased \$618,465 or 2.5% in 2009. Buses were replaced during the year, contributing to the increase in net assets.

The Authority's operating expenses, excluding depreciation, in 2010 were \$732,832 lower than in 2009, a 5% decrease, primarily due to decreased labor costs.

The Authority's operating expenses, excluding depreciation, in 2009 were \$311,013 lower than in 2008, a 2% decrease, primarily due to decreased labor costs.

Operating revenue for the Authority was \$21,106 higher in 2010, a 1.3% increase, primarily due to a 20% - 25% increase in fares in the latter months of 2009. Ridership decreased in 2010.

Operating revenue for the Authority was \$105,938 lower in 2009, a 6.3% decrease, primarily due to a decrease in ridership.

In 2010 sales tax revenue increased 959,302, or 9.2% compared to 2009. Sales tax revenue accounted for 65.9% of all funding, exclusive of capital grants.

In 2009 sales tax revenue was \$1,391,820 lower than in 2008, or 11.8% compared to 2008. In 2009, Sales tax revenue accounted for approximately 69% 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 *statement of revenues and expenses and changes in net assets* presents 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 final required financial statement is the *statement of cash flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

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 13-32 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 \$33,271,328 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.

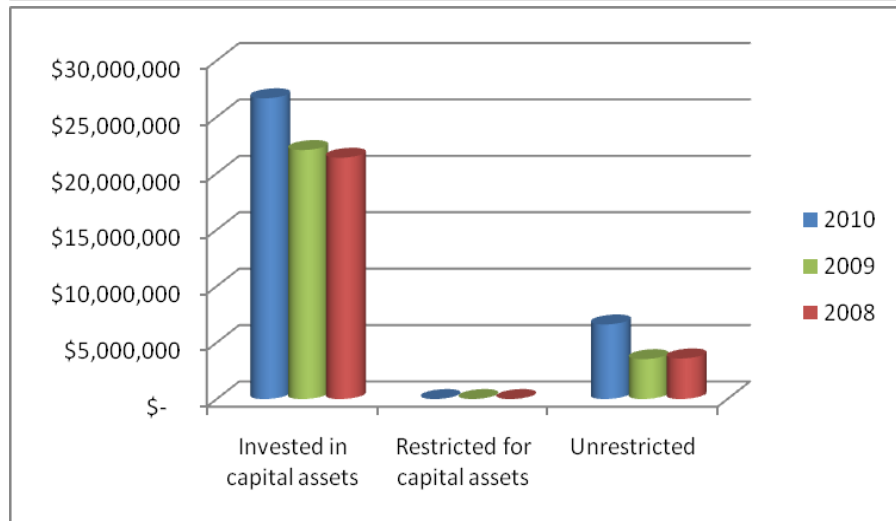
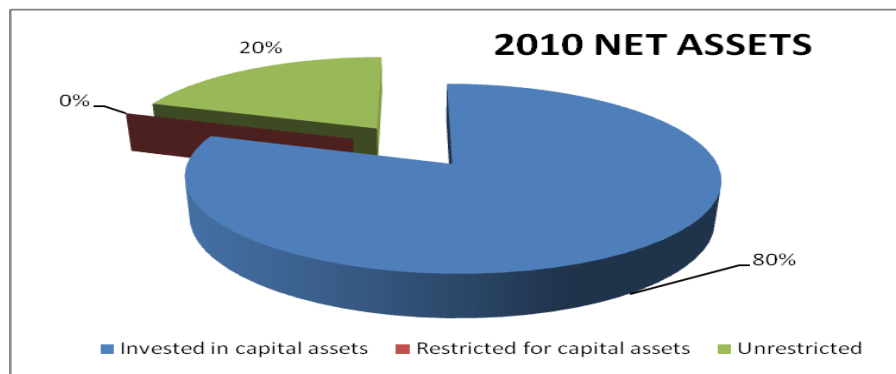
In 2010, the Authority's net assets represented resources that were subject to the restriction of being held to pay for capital assets. In 2010 *unrestricted net assets* totaled \$6,574,635.

In 2009 the Authority's *unrestricted net assets* totaled \$3,533,639.

At the end of 2010 and 2009, the Authority is able to report positive balances in net assets, and the same held true for 2008.

Stark Area Regional Transit Authority's Net Assets

NET ASSETS	2010	2009	2008
Current assets	\$ 7,832,712	\$ 5,038,062	\$ 5,430,290
Capital assets, net	26,657,794	22,070,412	21,386,347
Total assets	<u>\$ 34,490,506</u>	<u>\$ 27,108,474</u>	<u>\$ 26,816,637</u>
Current liabilities	\$ 1,219,178	\$ 1,504,423	\$ 1,831,051
Total liabilities	<u>\$ 1,219,178</u>	<u>\$ 1,504,423</u>	<u>\$ 1,831,051</u>
Net assets:			
Invested in capital assets	\$ 26,657,794	\$ 22,070,412	\$ 21,386,347
Restricted for capital assets	38,899		
Unrestricted	6,574,635	3,533,639	3,599,239
Total net assets	<u>\$ 33,271,328</u>	<u>\$ 25,604,051</u>	<u>\$ 24,985,586</u>



As can be seen from the table of net assets, net assets increased \$7,667,277 to \$33,271,328 from \$25,604,051 in 2009. The 29.9% increase was mainly due to the purchase of buses and an increase in federal capital grant funding.

In 2009 net assets increased \$618,465 to \$25,604,051 from \$24,985,586 in 2008. The 2.5% increase was principally due to the purchase of buses, both diesel fueled and hybrid.

For more information on capital assets, readers are referred to pages 21-22.

CHANGES IN NET ASSETS

OPERATING REVENUES	<u>2010</u>	<u>2009</u>	<u>2008</u>
Passenger Fares	\$ 1,051,643	\$ 1,052,755	\$ 1,184,354
Special Transit Fares	529,091	491,479	480,272
Auxiliary Transportation Revenue	<u>22,176</u>	<u>37,570</u>	<u>23,116</u>
TOTAL OPERATING REVENUES	\$ 1,602,910	\$ 1,581,804	\$ 1,687,742
OPERATING EXPENSES			
Labor	\$ 5,566,669	\$ 5,898,232	\$ 6,124,933
Fringe Benefits	4,143,021	4,844,810	4,591,727
Materials & Supplies	2,198,564	2,367,522	2,795,146
Services	728,318	570,908	541,850
Utilities	241,461	277,368	292,402
Casualty & Liability	617,237	377,719	341,309
Leases & Rentals	1,738	7,998	12,693
Miscellaneous	<u>356,638</u>	<u>241,921</u>	<u>197,431</u>
TOTAL OPERATING EXPENSES	\$ 13,853,646	\$ 14,586,478	\$ 14,897,491
OPERATING LOSS BEFORE DEPRECIATION	(12,250,736)	(13,004,674)	(13,209,749)
Depreciation Expense	<u>1,911,419</u>	<u>1,717,793</u>	<u>1,719,897</u>
OPERATING LOSS	(14,162,155)	(14,722,467)	(14,929,646)
NON OPERATING REVENUES (EXPENSES)			
Sales Tax Proceeds	\$ 11,367,468	\$ 10,408,166	\$ 11,799,986
Federal Preventative Maintenance	1,841,668	1,909,366	2,089,920
Federal Operating & Capital Grants	2,010,817	656,624	
State Preventative Maintenance	25,380	284,323	187,423
Elderly & Disabled Assistance	372,917	346,642	498,892
Federal Planning Grants	190,354	35,290	127,683
Investment/Interest Income	19,799	230	1,329
Interest Expense	0	(1,076)	(9,981)
Sales Tax Collection Expense	(112,509)	(104,082)	(118,000)
Gain (Loss) on Disposal	(13,259)	2,667	(4,693)
Non-transportation Revenue	32,079	20,065	24,971
Unusual Legal Events	<u>(79,708)</u>	<u>(30,000)</u>	<u>(22,625)</u>
NON OPERATING REVENUES/EXPENSES-NET	\$ 15,655,006	\$ 13,528,215	\$ 14,574,905
CAPITAL GRANT REVENUE			
Federal Capital Grant	5,674,426	1,812,717	1,724,239
State Capital Grant	<u>500,000</u>	<u> </u>	<u> </u>
TOTAL CAPITAL GRANTS	6,174,426	1,812,717	1,724,239
CHANGE IN NET ASSETS			
	7,667,277	618,465	1,369,498
Net Assets, Beginning Balance	\$ 25,604,051	\$ 24,985,586	\$ 23,616,088
Net Assets, Ending Balance	<u>\$ 33,271,328</u>	<u>\$ 25,604,051</u>	<u>\$ 24,985,586</u>

In 2010, the Authority's *operating revenues* increased 1.3% or \$21,106 to \$1,602,910 in 2010. Passenger fares were increased 20% - 25% at the end of 2009. The passenger fare increase offset a decrease in ridership. *Operating revenues* are generated mainly from pass sales, ticket sales, special event fares and fare box cash paid by riders/passengers, and a small amount of revenue is generated by the sale of advertising space on the exteriors and interiors of buses. *Operating expenses*, excluding depreciation, decreased \$732,832, or 5%, as compared to the prior year, mainly due to decreased labor and fringe benefits costs. *Depreciation expense* increased \$193,626, due to the purchase of new buses.

The 2010 increase in *Non-operating revenues* of \$2,126,791, or 15.7%, is mainly due to increased sales tax revenue and operating grants and reimbursements.

In 2009, the Authority's *operating revenues* decreased 6.2% or \$105,938 to \$1,581,804 in 2009 (\$131,599 decrease in ordinary passenger fares, \$11,207 increase in special event fares, and \$14,454 increase in bus side advertising and miscellaneous sales). In 2009 *Operating expenses*, excluding depreciation, decreased \$311,013, or 2%, as compared to the prior year, mainly due to decreased labor costs. *Depreciation expense* decreased \$2,104, due to the retirement of obsolete equipment.

In 2009 the decrease in *Non-operating revenues* of \$1,046,690, or 7%, is mainly due to decreased sales tax revenue.

Cash Flows

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

The increase in cash equivalents is due to funding for ADA Paratransit service not received in prior years. The reader may review the increase in assets on page 11, in conjunction with the cash flow on page 8, to better understand the change in cash.

CASH FLOWS

	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Gross cash received from customers	\$ 1,625,181	\$ 1,535,047	\$ 1,661,487
Gross cash payments to suppliers for goods & services	(4,299,898)	(4,590,548)	(5,432,000)
Gross cash payments to employees for salaries and wages	(5,584,863)	(5,905,419)	(5,429,346)
Gross cash payments for employee for benefits	(4,149,772)	(4,040,215)	(3,912,089)
Gross other	(47,629)	(82,248)	(127,321)
Net cash used in operating activities	\$ (12,456,981)	\$ (13,083,383)	\$ (13,239,269)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Gross sales taxes received	\$ 11,015,399	\$ 10,533,854	\$ 11,784,903
Gross operating & preventive maintenance grants received	4,187,772	3,819,970	1,886,267
Gross other	-	(398,908)	398,908
Net cash provided by noncapital financing activities	\$ 15,203,171	\$ 13,954,916	\$ 14,070,078
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Gross federal capital grant revenue	\$ 5,501,283	\$ 1,850,698	\$ 1,749,726
Gross state capital grant revenue	500,000	-	-
Gross acquisition of capital assets & work in process	(6,512,060)	(2,409,564)	(2,780,092)
Net cash used in capital and related financing activities	\$ (510,777)	\$ (558,866)	\$ (1,030,366)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	\$ 19,799	\$ 207	\$ 1,254
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 2,255,212	\$ 312,874	\$ (198,303)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 1,097,269	\$ 784,395	\$ 982,698
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,352,481	\$ 1,097,269	\$ 784,395

Capital Assets

The Authority's investment in capital assets amounts to \$26,657,794 net of accumulated depreciation as of December 31, 2010, a net increase of \$4,587,382, 20.7% over 2009, primarily due to the purchase of transportation equipment. Capital Assets include land, land improvements, revenue producing and service equipment, buildings and structures, office furnishings, shop equipment, computer equipment and software licenses. Major capital asset expenditures during the current fiscal year included the following:

Transportation Equipment	\$4,116,351
Building & Improvements	\$1,512,019

The Authority's investment in capital assets amounts to \$22,070,412 net of accumulated depreciation as of December 31, 2009, a net increase of \$684,065, 3.1% over 2008, primarily due to the purchase of transportation equipment and maintenance support equipment. Major capital asset expenditures during the 2009 fiscal year included the following:

Transportation Equipment	\$1,590,028
Maintenance Support Equipment	\$ 153,049

The *Notes to the Financial Statements*, pages 13-32, provide additional information on capital assets.

Long-Term Debt

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

Requests for Information

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

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

BALANCE SHEET
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash & cash equivalents	\$ 3,313,582	\$ 1,097,269
Receivables:		
Trade	36,877	59,148
Sales tax	3,094,791	2,855,231
State capital & planning grants		91,620
Federal capital & planning grants	741,044	184,018
Materials & supplies inventory	199,286	256,636
Prepaid expenses & other assets	408,233	494,140
 Restricted for capital assets:		
Cash & cash equivalents	38,899	
TOTAL CURRENT ASSETS	7,832,712	5,038,062
Capital assets: (Note 4)		
Land	337,795	274,543
Buildings & improvements	13,874,889	12,362,870
Transportation equipment	20,217,195	16,100,844
Other equipment	3,565,912	3,403,995
Construction & WIP	4,487,193	4,522,277
Total capital assets	42,482,984	36,664,529
Less accumulated depreciation	(15,825,190)	(14,594,117)
Capital assets - net	26,657,794	22,070,412
TOTAL ASSETS	\$ 34,490,506	\$ 27,108,474
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 353,969	\$ 643,307
Accrued payroll	307,859	486,365
Accrued payroll taxes & withholdings	487,503	327,191
Other current liabilities	30,948	47,560
Deferred capital grants	38,899	
TOTAL CURRENT LIABILITIES	1,219,178	1,504,423
TOTAL LIABILITIES	1,219,178	1,504,423
 NET ASSETS:		
Invested in capital assets	26,657,794	22,070,412
Restricted	38,899	
Unrestricted	6,574,635	3,533,639
TOTAL NET ASSETS	33,271,328	25,604,051
TOTAL LIABILITIES AND NET ASSETS	\$ 34,490,506	\$ 27,108,474

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Passenger fares	\$ 1,051,643	\$ 1,052,755
Special transit fares	529,091	491,479
Auxiliary transportation revenues	22,176	37,570
TOTAL OPERATING REVENUES	<u>1,602,910</u>	<u>1,581,804</u>
OPERATING EXPENSES		
Labor	5,566,669	5,898,232
Fringe benefits	4,143,021	4,844,810
Materials & supplies	2,342,831	2,522,939
ODOT Fuel Tax Reimbursement	(144,267)	(155,417)
Services	728,318	570,908
Utilities	241,461	277,368
Casualty & liability insurance	617,237	377,719
Leases & rentals	1,738	7,998
Miscellaneous	356,638	241,921
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	<u>13,853,646</u>	<u>14,586,478</u>
OPERATING LOSS BEFORE DEPRECIATION	(12,250,736)	(13,004,674)
DEPRECIATION EXPENSE (Note 4)	<u>1,911,419</u>	<u>1,717,793</u>
OPERATING LOSS	(14,162,155)	(14,722,467)
NONOPERATING REVENUES (EXPENSES)		
Sales tax revenues (Note 3)	11,367,468	10,408,166
Operating grants and reimbursements	4,068,219	2,885,603
Special fare assistance	372,917	346,642
Interest income	19,799	230
Interest expense		(1,076)
Sales tax collection expense	(112,509)	(104,082)
Loss on disposal of capital assets	(13,259)	2,667
Non-transportation revenues	32,079	20,065
Unusual legal events	(79,708)	(30,000)
Total Non-Operating Revenues - Net	<u>15,655,006</u>	<u>13,528,215</u>
NET GAIN/(LOSS) BEFORE CAPITAL GRANT REVENUE	1,492,851	(1,194,252)
Federal capital grant	5,674,426	1,812,717
State capital grant	500,000	
	<u>5,674,426</u>	<u>1,812,717</u>
INCREASE IN NET ASSETS	7,167,277	618,465
Net assets, beginning of year	25,604,051	24,985,586
Net assets, end of year	<u>\$ 32,771,328</u>	<u>\$ 25,604,051</u>

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	\$ 1,625,181	\$ 1,535,047
Gross cash payments to suppliers for goods & services	(4,299,898)	(4,590,548)
Gross cash payments to employees for salaries and wages	(5,584,863)	(5,905,419)
Gross cash payments for employees benefits	(4,149,772)	(4,040,215)
Gross other	(47,629)	(82,248)
Net cash used in operating activities	(12,456,981)	(13,083,383)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	11,015,399	10,533,854
Gross operating & preventive maintenance grants received	4,187,772	3,819,970
Payments of notes payable		(398,908)
Net cash provided by noncapital financing activities	15,203,171	13,954,916
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	5,501,283	1,850,698
Gross state capital grant revenue	500,000	
Gross acquisition of capital assets & work in process	(6,512,060)	(2,409,564)
Net cash used in capital and related financing activities	(510,777)	(558,866)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	19,799	207
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,255,212	312,874
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,097,269	784,395
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,352,481	\$ 1,097,269
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (14,162,155)	\$ (14,722,467)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,911,419	1,717,793
Change in assets and liabilities:		
Decrease in accounts receivable - trade	22,271	2,341
Decrease in materials & supplies inventory	57,350	7,329
Decrease in prepaid expenses & other assets	85,907	238,249
Increase (decrease) in accounts payable - operations	(336,967)	109,746
Increase (decrease) in accrued payroll	(178,506)	35,732
Decrease in accrued payroll taxes	160,312	(32,750)
Increase (decrease) in deferred revenue		(23,143)
Decrease in Notes Payable		(398,908)
Decrease in other current liabilities	(16,612)	(17,305)
NET CASH USED IN OPERATING ACTIVITIES	\$ (12,456,981)	\$ (13,083,383)

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Stark Area Regional Transit Authority (the "Authority") was created pursuant to Section 306.30 through 306.711 of the Ohio Revised Code for the purpose of providing public transportation in the Stark County, Ohio area. As a political subdivision, it is distinct from and not an agency of the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is managed by a nine-member Board of Trustees and provides virtually all mass-transportation within the Stark County area. Approximately 75 percent of the Authority's employees at December 31, 2010 were subject to a collective bargaining agreement that expires on January 4, 2013.

Under Ohio law, the Authority is authorized to levy a sales tax and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Stark County (see Note 3). On May 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority's operations through June of 2017.

Reporting Entity

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

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is any 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.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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.

The Authority complies with the provisions of GASB Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions". In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of non-exchange transactions involving financial or capital resources. The 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.

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

Property and Depreciation (cont'd)

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

Description	Years
Buildings	40
Transportation Equipment	5-12
Other Equipment	3-8

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

Recognition of Revenue, Receivables and Deferred Revenues (cont'd)

incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivable and credited to non-operating revenues in the period operating expenditures are incurred.

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

Classifications of Expenses

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

Federal and State Operating and Preventive Maintenance Assistance Funds

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

Sales Tax Revenues

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

Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees. Vacation time must be used within the calendar year. Unused vacation 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 up to 320 hours. Hours earned during the year exceeding 320 hours as paid at fiscal year end at 50% value at current earnings rate. Administrative employees are paid accrued sick days upon separation from service at fifty percent value, at current earnings rate.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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 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

At December 31, 2010, the carrying amount of the Authority's deposits was \$3,332,407. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$3,082,407 of the Authority's bank balance of \$3,332,407 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

2. CASH AND CASH EQUIVALENTS (CONT'D)

Deposits (cont'd)

At December 31, 2009, the carrying amount of the Authority's deposits was \$1,077,216. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$827,216 of the Authority's bank balance of \$1,077,216 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

However, all of these balances were collateralized with securities held by the pledging financial institution but not in the Authority's name.

Investments

As of December 31, 2010 and 2009, the Authority had the following investments:

<u>Investment</u>	2010 <u>Fair Value</u>	2009 <u>Fair Value</u>
State Treasurer's Investment Pool StarOhio	\$20,074	\$20,053

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 sixty days.

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>Investment</u>	<u>Investment Maturity</u>		
	<u>Fair Value</u>	<u>Less than one year</u>	<u>One to five years</u>
<u>2009 Investment</u>			
State Treasurer's Investment Pool (Star Ohio)	\$20,053	\$20,053	\$0
<u>2010 Investment</u>			
State Treasurer's Investment Pool (Star Ohio)	\$20,074	\$20,074	\$0

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

2. CASH AND CASH EQUIVALENTS (CONT'D)

Credit Risk

As of December 31, 2010, 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, 2010 and 2009, \$3,082,407 and \$827,216, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Custodial Credit Risk-Investments

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

3. TAX REVENUES

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

Capital Assets & Depreciation Balances	BEGINNING BALANCE 1/1/10	ADDITIONS	DISPOSALS	CIP TRANSFERS	ENDING BALANCE 12/31/10
Capital Assets Not Being Depreciated:					
Land	\$ 274,543	\$ 0	\$ 0	\$ 63,252	\$ 337,795
Construction & Projects in Progress	<u>4,522,277</u>	<u>1,996,502</u>	<u>136,296</u>	<u>(1,895,290)</u>	<u>4,487,193</u>
Total Capital Assets Not Depreciated	4,796,820	1,996,502	136,296	(1,832,038)	4,824,988
Capital Assets Being Depreciated:					
Buildings & Improvements	12,362,870	19,704	2,170	1,494,485	13,874,889
Transportation Equipment	16,100,844	4,621,719	562,397	57,029	20,217,195
Other Equipment	<u>3,403,995</u>	<u>17,632</u>	<u>136,239</u>	<u>280,524</u>	<u>3,565,912</u>
Total Capital Assets being Depreciated	31,867,709	4,659,055	700,806	1,832,038	37,657,996
Total Capital Assets	36,664,529	6,655,557	837,102	0	42,482,984
Buildings & Improvements	1,321,872	339,000	2,170	0	1,658,702
Transportation Equipment	10,439,718	1,382,902	543,989	0	11,278,631
Other Equipment	2,832,527	189,518	134,188	0	2,887,857
Total Accumulated Depreciation	14,594,117	1,911,420	680,347	0	15,825,190
Total Capital Assets, Net	<u>\$22,070,412</u>	<u>\$ 4,744,137</u>	<u>\$ 156,755</u>	<u>\$ 0</u>	<u>\$26,657,794</u>

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

4. CAPITAL ASSETS (CONT'D)

Capital asset activity for the year ended December 31, 2009 was as follows:

Capital Assets & Depreciation Balances	BEGINNING BALANCE 1/1/09	ADDITIONS	DISPOSALS	CIP TRANSFERS	ENDING BALANCE 12/31/09
Capital Assets Not Being Depreciated:					
Land	\$ 274,543	\$ 0	\$ 0	\$ 0	\$ 274,543
Construction & Projects in Progress	<u>4,406,118</u>	<u>2,392,937</u>	<u>0</u>	<u>(2,276,778)</u>	<u>4,522,277</u>
Total Capital Assets Not Depreciated	4,680,661	2,392,937	0	(2,276,778)	4,796,820
Capital Assets Being Depreciated:					
Buildings & Improvements	12,311,993	0	0	50,877	12,362,870
Transportation Equipment	15,452,824	0	1,510,842	2,158,862	16,100,844
Other Equipment	<u>3,335,046</u>	<u>9,101</u>	<u>7,191</u>	<u>67,039</u>	<u>3,403,995</u>
Total Capital Assets being Depreciated	31,099,863	9,101	1,518,033	2,276,778	31,867,709
Total Capital Assets	35,780,524	2,402,038	1,518,033	0	36,664,529
Buildings & Improvements	993,715	328,157	0	0	1,321,872
Transportation Equipment	10,768,501	1,182,059	1,510,842	0	10,439,718
Other Equipment	2,631,961	207,757	7,191	0	2,832,527
Total Accumulated Depreciation	14,394,177	1,717,973	1,518,033	0	14,594,117
Total Capital Assets, Net	<u>\$21,386,347</u>	<u>\$ 684,065</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$22,070,412</u>

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS

Plan Description

- A. All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), which administers three separate pension plans as described below:
1. **The Traditional Pension Plan** — A cost sharing, multiple-employer defined benefit pension plan.
 2. **The Member-Directed Plan** — A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
 3. **The Combined Plan** — A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The 2010 member contribution rates were 10.00% for members in state and local classifications. Members in the public safety and law enforcement classifications contributed 10.5% and 11.1%, respectively.

The 2010 employer contribution rate for state employers was 14.00% of covered payroll. For law enforcement employers, and public safety employers, the contribution rate was 17.87% of covered payroll.

- F. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records. Due to contractual agreement with the Union, union employees pay 1.50% of their employee contribution, with the balance paid by the Authority. The Authority has opted to fund the full employee contribution amounts for non-union employees. The Authority's contributions for 2010, 2009, and 2008, were \$ 901,390, \$1,058,600 and \$1,079,258 respectively.

Post-Retirement Benefits

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

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

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 2010, state and local employers (the Authority is part of this unit) contributed at a rate of 14.00% of covered payroll. Public safety and law enforcement employer units contributed at 17.87%.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. 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 and is required to provide OPEB benefits.

C. Summary of Assumptions

- Actuarial Review — The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2009.

Funding Method — The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are level percents of payroll contributions based on an open amortization period.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

- Assets Valuation Method — For actuarial purposes, assets are valued using a method that recognizes book value plus or minus realized and unrealized investment gains and losses, amortized on a straight-line basis over a four-year period. This funding value is not permitted to deviate from market value by a corridor of plus or minus 12%.
- Investment Return — The investment assumption rate for 2009 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. 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%.
- Benefit Payments — Health care costs are assumed to increase at the projected wage inflation rate of 4.0% plus an additional factor ranging from .50% to 3.0% for the next 6 years. In subsequent years (7 and beyond), health care costs are assumed to increase at 4.0% (the projected wage inflation rate).

D. OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The Traditional Pension and Combined Plans had 360,423 active contributing participants as of December 31, 2010. The number of active contributing participants for both plans used in the December 31, 2009, actuarial valuation was 357,584.

The rates stated in Section A, above, are the contractually required contribution rates for OPERS. The portion of SARTA's contributions that were used to fund post employment benefits can be approximated by multiplying actual employer contributions by multiplying actual employer contributions for January 1 through February 28 by 0.3929 and multiplying actual employer contributions for the period March 1 through December 31 by 0.3571. The amount of SARTA's required contribution to fund post-employment benefits in 2010, 2009 and 2008 were \$556,672, \$467,104 and \$471,798, respectively.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

2. The amount of \$10.9 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2009.
3. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2009, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.5 billion and \$20.6 billion, respectively.

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

6. RESTRICTED ASSETS

SARTA received insurance proceeds in the amount of \$38,899 for a bus that was totaled. The proceeds will be used to offset a future bus purchase, thereby reducing the amount to be drawn from grant funds.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

7. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

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

Grants	2010	2009
State and Federal Preventative Maintenance	\$ 1,867,048	\$ 2,193,689
State Capital	500,000	-
Federal Planning	190,354	35,290
Federal Operating	-	514,527
Federal Capital	4,918,728	1,812,717
Federal JARC & New Freedom	363,330	93,838
ARRA Operating & Capital	2,403,185	48,259
ODOT Elderly Special Fare Assistance	<u>372,917</u>	<u>346,642</u>
Total Grants	\$ 10,615,562	\$ 5,044,962
Reimbursements		
ODOT Fuel Tax Reimbursement	<u>144,267</u>	<u>155,417</u>
Total Reimbursements	<u>144,267</u>	<u>155,417</u>
Total Grants and Reimbursements	<u>\$ 10,759,829</u>	<u>\$ 5,200,379</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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

8. RISK MANAGEMENT (CONT'D)

for 9 (as of December 31, 2008) member transit agencies. The Authority pays an annual premium to OTRP for its general insurance coverage for losses greater than the Pool's retained losses. Quarterly, the Authority pays into a loss and administration fund pursuant to OTRP's bylaws to fund this retained layer. The Agreement of Formation of OTRP provides that OTRP will be self-sustaining through member contributions and will purchase coverage in excess of the Pool retained amount through commercial companies with an industry standard rating of A or better. All retained amounts and limits listed are per occurrence. Coverage is granted per occurrence.

Current coverage is purchased for commercial property losses in excess of \$100,000 with limits up to \$200,000,000 and for Auto Physical Damages losses in excess of \$250,000 with limits up to \$50,000,000. Additionally, coverage is purchased for all covered liability claims in excess of \$1,000,000 with limits up to \$7,500,000 for automobile liability and \$5,000,000 for all other liability 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 Authority's fiscal officer(s) as required by ORC Section 306.42.

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

The authority does not have a policy relating to the credit risk of investments.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

9. LEASES

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

10. NOTES PAYABLE

In 2007 the Authority established a line of credit with Huntington National Bank. Interest will be calculated at a rate of 0.26 percentage points over the index. There was a zero balance at December 31, 2010, a zero balance at December 31, 2009 and a balance of \$398,908 at December 31, 2008.

**STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN SHORT TERM DEBT**

2008	Increase	(Decrease)	Balance
04/30/08	500,000		\$ 500,000
11/30/08		(1,092)	498,908
12/17/08		(100,000)	398,908
2009			
01/08/09		(100,000)	298,908
02/04/09		(100,000)	198,908
03/18/09	200,000		398,908
06/18/09		(398,908)	\$ -
2010			
12/31/2010	\$ -	\$ -	\$ -

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

11. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2010, 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.

Contract Disputes and Legal Proceedings – The Authority has been named as a defendant in certain contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority’s financial position.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 23, 2011, the date the financial statements were available to be issued.

On May 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy until 2017.

13. CHANGES IN ACCOUNTING POLICY

Effective for period beginning after June 15, 2009, the Authority implemented GASB Statement No.51, “Accounting and Financial Reporting for Intangible Assets” that will improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments” that will improve financial reporting by requiring governments to measure derivative instruments, with the exception of SGICs that are fully benefit-responsive, at fair value in their

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

13. CHANGES IN ACCOUNTING POLICY (CONT'D)

economic resources measurement focus financial statements, and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies.", that will improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy.

These Statements did not have an impact on the Authority's financial statements.

14. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued these new accounting pronouncements. Statement No. 59, "Financial Instruments Omnibus." This statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards, this Statement is effective for period beginning after June 15, 2010. Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This statement requires disclosures about an service concession arrangements including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source, these Statements are effective for periods beginning after December 15, 2011. Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34." This Statement will also clarify the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset, this Statement is effective for period beginning after June 15, 2012.

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

STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL GRANT NUMBER</u>	<u>GRANT EXPENDITURES</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Cluster/Direct Programs:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-04-0008	\$ 9,667
		OH-90-0354	10,859
		OH-90-0434	81,764
		OH-90-0474	132,025
		OH-90-0498	800,898
		OH-90-0550	145,801
		OH-90-0597	330,562
		OH-90-0622	182,227
		OH-90-0677	2,500,606
		OH-90-0685	1,702,636
		OH-90-0698	180,214
		OH-90-0714	808,639
		OH-95-0047	50,000
			<u>6,935,898</u>
Federal Transit Capital Investment Grants	20.500	OH-04-0069	12,029
Job Access Reverse Commute Grant	20.516	OH-37-4058	37,208
		OH-37-4072	88,140
		OH-37-4074	81,506
			<u>206,854</u>
Federal Transit Administration American Recovery and Reinvestment Act Grant	20.509	OH-96-0020	2,406,010
New Freedom Program	20.521	OH-57-4020	29,461
		OH-57-4032	83,081
		OH-57-4039	43,934
			<u>156,476</u>
Passed Through Ohio Department of Transportation Fuel Initiative Program	20.509	SUA-0076-024-091	500,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 10,217,267</u></u>

See note to Schedule of Expenditures of Federal Awards.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stark Area Regional Transit Authority and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



Dingus and Daga, Inc.

Certified Public Accountants

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

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the financial statements of the Stark Area Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2010, and have issued our report thereon dated June 23, 2011, wherein we noted that the Authority adopted Governmental Accounting Standards Board Statement No. 51, 53 and 58. 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 Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies 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.

Dingus and Daga, Inc.

Shaker Heights, Ohio
June 23, 2011



Dingus and Daga, Inc.

Certified Public Accountants

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

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Compliance

We have audited the compliance of Stark Area Regional Transit Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 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 Authority's compliance with those requirements.

In our opinion, Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

The management of Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the Board of Trustees, Authority management, federal awarding agencies 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.

Dingus and Daga, Inc.

Shaker Heights, Ohio
June 23, 2011

STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2010

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material Weakness identified?	no
Significant Deficiency identified not considered to be material weaknesses?	no
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Administration Capital and Operating Assistance Formula Grants

STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)

For the Year Ended December 31, 2010

PART I - SUMMARY OF AUDITORS' RESULTS (Cont'd)

Federal Awards (Cont'd)

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.516	Job Access Reverse Commute Grant
20.509	Federal Transit Administration American Recovery Reinvestment Act Grant
20.500	Federal Transit Capital Investment Grants
20.521	New Freedom Program
20.509	Fuel Initiative Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

PART II - FINANCIAL STATEMENT FINDINGS

No matters are reportable.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reportable

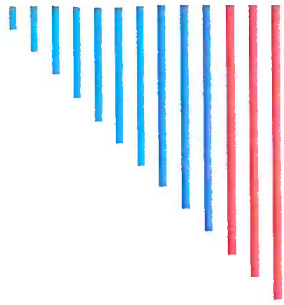
STARK AREA REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2010

There were no comments on internal control and legal compliance included in the prior year reports.

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McKinley Museum, Canton, Ohio



**Comprehensive Annual Financial Report
for the year ended December 31, 2010**

Stark Area Regional Transit Authority
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2010

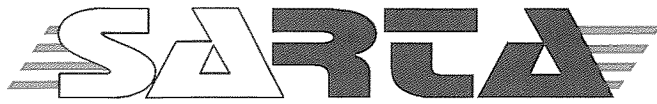
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Introductory Section 2010

The Introductory Section includes the Authority's transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting and a District Profile.

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June 23, 2011

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

State law requires that every transit authority publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2010.

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

Dingus and Daga, Inc., Certified Public Accountants, have issued an unqualified (“clear”) opinion on the Stark Area Regional Transit Authority’s (SARTA’s) financial statements for the year ended December 31, 2010. The independent audit of the Authority’s financial statements was part of the broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the Authority’s separately issued single audit report.

This report is presented in three sections:

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

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Stark Area Regional Transit Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the seventh consecutive year the agency earned this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and organized comprehensive annual financial report adhering to the highest standards in government accounting and financial reporting. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate for year ended December 31, 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirt W. Conrad". The signature is written in a cursive style with a long, sweeping tail that extends to the right.

Kirt W. Conrad
Executive Director/CEO

Certificate of Achievement for Excellence in Financial Reporting

Presented to


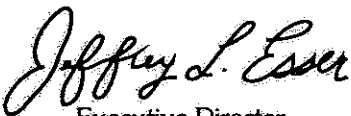
Stark Area Regional Transit
Authority, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2009

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.




President

Executive Director



*Auditor of State Mary Taylor, CPA
Making Your Tax Dollars Count Award*

*is presented to
Stark Area RIA*

for excellence in financial reporting.

*You are a trustworthy guardian of taxpayer dollars
and deserve the highest amount of recognition
for your vigilance.*

*The 2009 Comprehensive Annual Financial Report (CAFR)
demonstrates your commitment to careful spending,
accurate fiscal recording and efficiency.*

*You are truly a model for government entities
throughout the state of Ohio.*

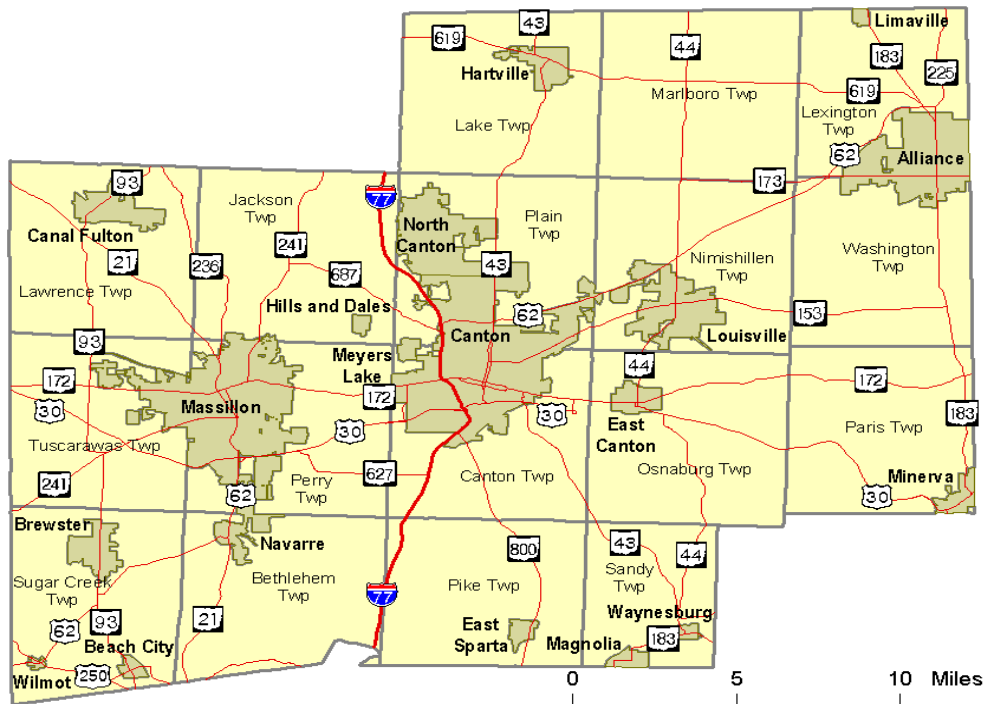


Mary Taylor

Mary Taylor, CPA
Auditor of State

Stark County

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



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

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

District Profile

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

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

The nine members Board of Trustees supervise the operations of the agency and set policies and approve 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. In February of 2003, the Board adopted “Five Bold Steps” as an overall guide for the Authority. These Five Bold Steps are:

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

Internal Control

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

Basis of Accounting

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

Budgetary Control

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

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

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

Mission Statement

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

Local Economy

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

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

Long-Term Financial Planning

SARTA is required to plan projects and schedule their completion in a document called the Transit Development Plan (TDP). These projects are then scheduled into a Transportation Improvement Plan (TIP) by the Metropolitan Planning Organization for the county, who then forwards the entire plan to the State of Ohio for inclusion in the State Transportation Improvement Plan. This state document forms the basis of planning transportation for the state. SARTA completed the process of developing a more comprehensive TIP this year, and anticipates utilizing the route recommendations and other planning features for several years.

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

Major Initiatives

2010 In Review

Advanced Communications – SARTA determined the radio project/communications project was stalled without hope of re-energizing and cancelled the contract. A new project was initiated in 2010, focusing on consistent communication with buses by radio and GPS.

ARRA Funds – SARTA received an allocation of funds from the stimulus funding. The first buses arrived in 2010 and a second six will arrive in 2011. The new bus washer system arrived and is being fully utilized.

SARTA acquired a permanent site on Whipple Avenue, and construction plans were formulated. Construction is anticipated to be completed in 2011, opening for business in September of 2011.

Service changes – SARTA continues to adjust service, focusing on Alliance at the end of 2010 and major route timings will be initiated early in 2011.

Renovations to Gateway – new underground storage fuel tanks, bus washer and waste oil furnaces were installed.

Future Initiatives

The major proposed capital projects include:

- CNG – SARTA anticipates completing a compressed natural gas fueling station and renovations to the Gateway Garage facility to accommodate CNG Buses.
- Building project – A Belden Village permanent location for a transfer center will be completed.
- Bus replacements – ARRA and other bus funding enabled SARTA to order 19 buses for 2011, most of which will be CNG.
- Preventative maintenance on buses and buildings
- Software expansions.
- Upgrading operational and maintenance equipment
- Mahoning Road Corridor project.
- Phase two of the effort to reduce paper within the agency with Work Flow Management enabling what were paper heavy routines to become electronic.
- Travel Training – the program to assist individuals to learn to ride and utilize the fixed route system will expand.
- Complete revamping of SARTA's Website.

Management also intends to explore such projects as:

- Tri-County service expansion.
- Outlying county borders park and ride facilities
- Potential of a multi-agency project to expand the Lincoln Way Corridor.
- Alternative fuels and energy sources.

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

STARK AREA REGIONAL TRANSIT AUTHORITY

BOARD OF TRUSTEES AND MANAGEMENT

AS OF DECEMBER 31, 2010

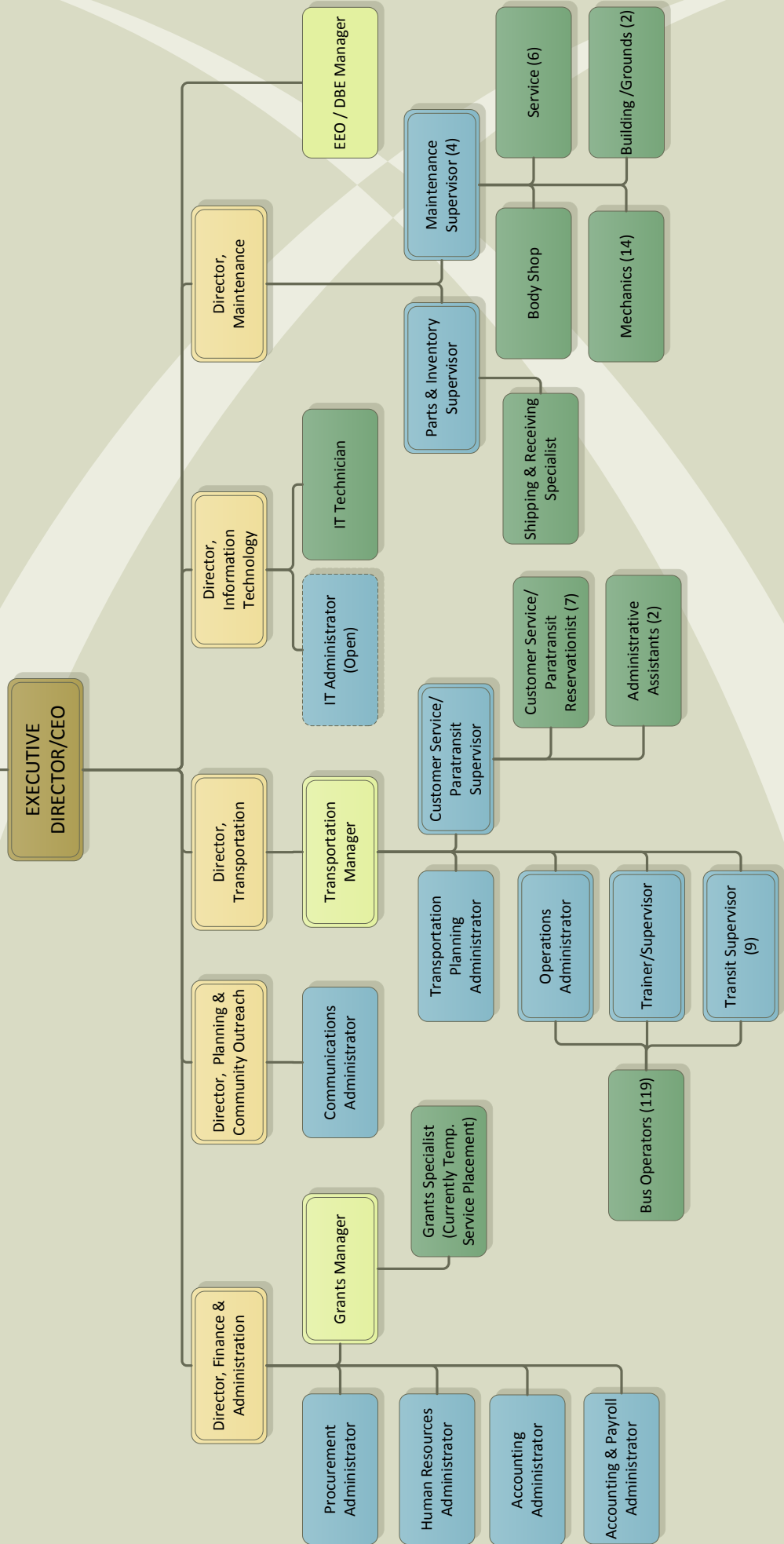
BOARD OF TRUSTEES

President	Charles DeGraff
Vice President	Nancy Johnson
Trustees	Gerald Bixler Phyllis Beyers Dwan Gordon-St John Ronald Macala Nick Navarra James Reinhard Chet Warren

MANAGEMENT

Executive Director/CEO	Kirt W. Conrad
Director of Finance & Administration	Carole Kuczynski
Director of Transportation	Teresa Thompson
Director of Maintenance	Mark Finnicum
Director of Information Technology	Jeff Heimberger
Director of Planning & Community Outreach	James Warner

**Stark Area Regional Transit Authority
BOARD OF TRUSTEES**



Financial Section 2010

The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Financial Statements, other Required Supplementary Information (RSI) and other financial schedules.



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the accompanying financial statements of the Stark Area Regional Transit Authority (the "Authority"), as of and for the years ended December 31, 2010 and 2009 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, during the year ended December 31, 2010, the Authority implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statement. The introductory section and statistically section are presented for purpose of additional analysis and are not a required part of the basic financial statements. The introductory section and statistically sections have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dingus and Daga, Inc.

Shaker Heights, Ohio
June 23, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

As the financial management of the Stark Area Regional Transit Authority (Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2010 and 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

The Authority's total net assets increased \$7,667,277 or 29.9% in 2010. Buses were replaced during the year and federal capital grant funding increased, contributing to the increase in net assets.

The Authority's net assets in 2009 increased \$618,465 or 2.5% in 2009. Buses were replaced during the year, contributing to the increase in net assets.

The Authority's operating expenses, excluding depreciation, in 2010 were \$732,832 lower than in 2009, a 5% decrease, primarily due to decreased labor costs.

The Authority's operating expenses, excluding depreciation, in 2009 were \$311,013 lower than in 2008, a 2% decrease, primarily due to decreased labor costs.

Operating revenue for the Authority was \$21,106 higher in 2010, a 1.3% increase, primarily due to a 20% - 25% increase in fares in the latter months of 2009. Ridership decreased in 2010.

Operating revenue for the Authority was \$105,938 lower in 2009, a 6.3% decrease, primarily due to a decrease in ridership.

In 2010 sales tax revenue increased 959,302, or 9.2% compared to 2009. Sales tax revenue accounted for 65.9% of all funding, exclusive of capital grants.

In 2009 sales tax revenue was \$1,391,820 lower than in 2008, or 11.8% compared to 2008. In 2009, Sales tax revenue accounted for approximately 69% 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 *statement of revenues and expenses and changes in net assets* presents 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 final required financial statement is the *statement of cash flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

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 24-43 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 \$33,271,328 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.

In 2010, the Authority's net assets represented resources that were subject to the restriction of being held to pay for capital assets. In 2010 *unrestricted net assets* totaled \$6,574,635.

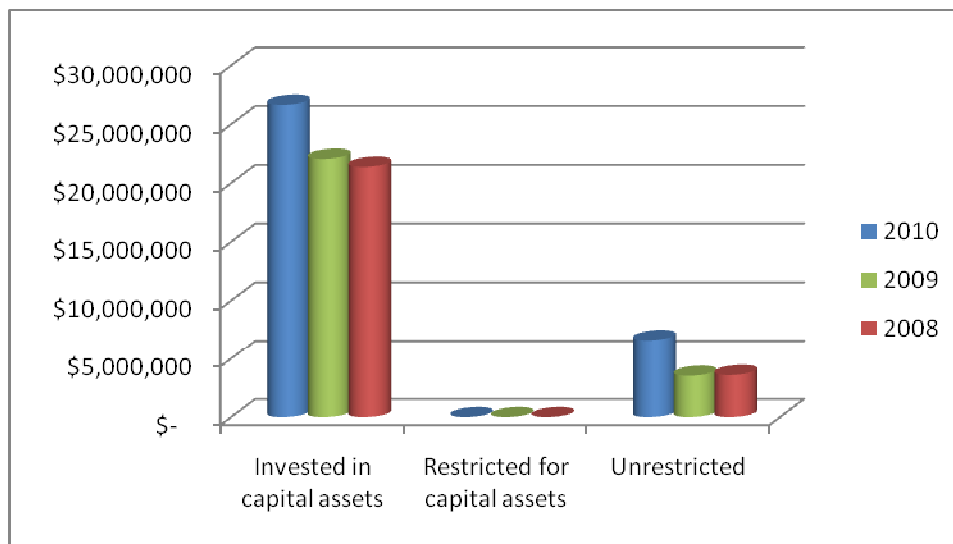
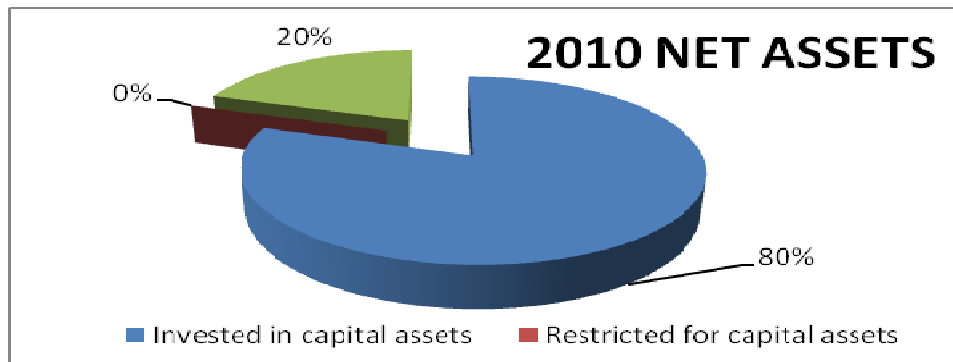
In 2009 the Authority's *unrestricted net assets* totaled \$3,533,639.

At the end of 2010 and 2009, the Authority is able to report positive balances in net assets, and the same held true for 2008.

Stark Area Regional Transit Authority's Net Assets

NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 7,832,712	\$ 5,038,062	\$ 5,430,290
Capital assets, net	26,657,794	22,070,412	21,386,347
Total assets	<u>\$ 34,490,506</u>	<u>\$ 27,108,474</u>	<u>\$ 26,816,637</u>
Current liabilities	\$ 1,219,178	\$ 1,504,423	\$ 1,831,051
Total liabilities	<u>\$ 1,219,178</u>	<u>\$ 1,504,423</u>	<u>\$ 1,831,051</u>
Net assets:			
Invested in capital assets	\$ 26,657,794	\$ 22,070,412	\$ 21,386,347
Restricted for capital assets	-	-	-
Unrestricted	6,613,534	3,533,639	3,599,239
Total net assets	<u>\$ 33,271,328</u>	<u>\$ 25,604,051</u>	<u>\$ 24,985,586</u>



As can be seen from the table of net assets, net assets increased \$7,667,277 to \$33,271,328 from 25,604,051 in 2009. The 29.9% increase was mainly due to the purchase of buses and an increase in federal capital grant funding.

In 2009 net assets increased \$618,465 to \$25,604,051 from \$24,985,586 in 2008. The 2.5% increase was principally due to the purchase of buses, both diesel fueled and hybrid.

For more information on capital assets, readers are referred to pages 32-33.

CHANGES IN NET ASSETS

OPERATING REVENUES	<u>2010</u>	<u>2009</u>	<u>2008</u>
Passenger Fares	\$ 1,051,643	\$ 1,052,755	\$ 1,184,354
Special Transit Fares	529,091	491,479	480,272
Auxiliary Transportation Revenue	<u>22,176</u>	<u>37,570</u>	<u>23,116</u>
TOTAL OPERATING REVENUES	\$ 1,602,910	\$ 1,581,804	\$ 1,687,742
OPERATING EXPENSES			
Labor	\$ 5,566,669	\$ 5,898,232	\$ 6,124,933
Fringe Benefits	4,143,021	4,844,810	4,591,727
Materials & Supplies	2,198,564	2,367,522	2,795,146
Services	728,318	570,908	541,850
Utilities	241,461	277,368	292,402
Casualty & Liability	617,237	377,719	341,309
Leases & Rentals	1,738	7,998	12,693
Miscellaneous	<u>356,638</u>	<u>241,921</u>	<u>197,431</u>
TOTAL OPERATING EXPENSES	\$ 13,853,646	\$ 14,586,478	\$ 14,897,491
OPERATING LOSS BEFORE DEPRECIATION	(12,250,736)	(13,004,674)	(13,209,749)
Depreciation Expense	<u>1,911,419</u>	<u>1,717,793</u>	<u>1,719,897</u>
OPERATING LOSS	(14,162,155)	(14,722,467)	(14,929,646)
NON OPERATING REVENUES (EXPENSES)			
Sales Tax Proceeds	\$ 11,367,468	\$ 10,408,166	\$ 11,799,986
Federal Preventative Maintenance	1,841,668	1,909,366	2,089,920
Federal Operating & Capital Grants	2,010,817	656,624	
State Preventative Maintenance	25,380	284,323	187,423
Elderly & Disabled Assistance	372,917	346,642	498,892
Federal Planning Grants	190,354	35,290	127,683
Investment/Interest Income	19,799	230	1,329
Interest Expense	0	(1,076)	(9,981)
Sales Tax Collection Expense	(112,509)	(104,082)	(118,000)
Gain (Loss) on Disposal	(13,259)	2,667	(4,693)
Non-transportation Revenue	32,079	20,065	24,971
Unusual Legal Events	<u>(79,708)</u>	<u>(30,000)</u>	<u>(22,625)</u>
NON OPERATING REVENUES/EXPENSES-NET	\$ 15,655,006	\$ 13,528,215	\$ 14,574,905
CAPITAL GRANT REVENUE			
Federal Capital Grant	5,674,426	1,812,717	1,724,239
State Capital Grant	<u>500,000</u>	<u> </u>	<u> </u>
TOTAL CAPITAL GRANTS	6,174,426	1,812,717	1,724,239
CHANGE IN NET ASSETS	7,667,277	618,465	1,369,498
Net Assets, Beginning Balance	\$ 25,604,051	\$ 24,985,586	\$ 23,616,088
Net Assets, Ending Balance	<u>\$ 33,271,328</u>	<u>\$ 25,604,051</u>	<u>\$ 24,985,586</u>

In 2010, the Authority's *operating revenues* increased 1.3% or \$21,106 to \$1,602,910 in 2010. Passenger fares were increased 20% - 25% at the end of 2009. The passenger fare increase offset a decrease in ridership. *Operating revenues* are generated mainly from pass sales, ticket sales, special event fares and fare box cash paid by riders/passengers, and a small amount of revenue is generated by the sale of advertising space on the exteriors and interiors of buses. *Operating expenses*, excluding depreciation, decreased \$732,832, or 5%, as compared to the prior year, mainly due to decreased labor and fringe benefits costs. *Depreciation expense* increased \$193,626, due to the purchase of new buses.

The 2010 increase in *Non-operating revenues* of \$2,126,791, or 15.7%, is mainly due to increased sales tax revenue and operating grants and reimbursements.

In 2009, the Authority's *operating revenues* decreased 6.2% or \$105,938 to \$1,581,804 in 2009 (\$131,599 decrease in ordinary passenger fares, \$11,207 increase in special event fares, and \$14,454 increase in bus side advertising and miscellaneous sales). In 2009 *Operating expenses*, excluding depreciation, decreased \$311,013, or 2%, as compared to the prior year, mainly due to decreased labor costs. *Depreciation expense* decreased \$2,104, due to the retirement of obsolete equipment.

In 2009 the decrease in *Non-operating revenues* of \$1,046,690, or 7%, is mainly due to decreased sales tax revenue.

Cash Flows

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

The increase in cash equivalents is due to funding for ADA Paratransit service not received in prior years. The reader may review the increase in assets on page 22, in conjunction with the cash flow on page 19, to better understand the change in cash.

CASH FLOWS

	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Gross cash received from customers	\$ 1,625,181	\$ 1,535,047	\$ 1,661,487
Gross cash payments to suppliers for goods & services	(4,299,898)	(4,590,548)	(5,432,000)
Gross cash payments to employees for salaries and wages	(5,584,863)	(5,905,419)	(5,429,346)
Gross cash payments for employee for benefits	(4,149,772)	(4,040,215)	(3,912,089)
Gross other	(47,629)	(82,248)	(127,321)
Net cash used in operating activities	<u>\$ (12,456,981)</u>	<u>\$ (13,083,383)</u>	<u>\$ (13,239,269)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Gross sales taxes received	\$ 11,015,399	\$ 10,533,854	\$ 11,784,903
Gross operating & preventive maintenance grants received	4,187,772	3,819,970	1,886,267
Gross other	-	(398,908)	398,908
Net cash provided by noncapital financing activities	<u>\$ 15,203,171</u>	<u>\$ 13,954,916</u>	<u>\$ 14,070,078</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Gross federal capital grant revenue	\$ 5,501,283	\$ 1,850,698	\$ 1,749,726
Gross state capital grant revenue	500,000	-	-
Gross acquisition of capital assets & work in process	(6,512,060)	(2,409,564)	(2,780,092)
Net cash used in capital and related financing activities	<u>\$ (510,777)</u>	<u>\$ (558,866)</u>	<u>\$ (1,030,366)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	<u>\$ 19,799</u>	<u>\$ 207</u>	<u>\$ 1,254</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 2,255,212	\$ 312,874	\$ (198,303)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 1,097,269	\$ 784,395	\$ 982,698
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,352,481</u>	<u>\$ 1,097,269</u>	<u>\$ 784,395</u>

Capital Assets

The Authority's investment in capital assets amounts to \$26,657,794 net of accumulated depreciation as of December 31, 2010, a net increase of \$4,587,382, 20.7% over 2009, primarily due to the purchase of transportation equipment. Capital Assets include land, land improvements, revenue producing and service equipment, buildings and structures, office furnishings, shop equipment, computer equipment and software licenses. Major capital asset expenditures during the current fiscal year included the following:

Transportation Equipment	\$4,116,351
Building & Improvements	\$1,512,019

The Authority's investment in capital assets amounts to \$22,070,412 net of accumulated depreciation as of December 31, 2009, a net increase of \$684,065, 3.1% over 2008, primarily due to the purchase of transportation equipment and maintenance support equipment. Major capital asset expenditures during the 2009 fiscal year included the following:

Transportation Equipment	\$1,590,028
Maintenance Support Equipment	\$ 153,049

The *Notes to the Financial Statements*, pages 24-43, provide additional information on capital assets.

Long-Term Debt

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

Requests for Information

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

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

BALANCE SHEET
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash & cash equivalents	\$ 3,313,582	\$ 1,097,269
Receivables:		
Trade	36,877	59,148
Sales tax	3,094,791	2,855,231
State capital & planning grants		91,620
Federal capital & planning grants	741,044	184,018
Materials & supplies inventory	199,286	256,636
Prepaid expenses & other assets	408,233	494,140
Restricted for capital assets:		
Cash & cash equivalents	38,899	
TOTAL CURRENT ASSETS	7,832,712	5,038,062
Capital assets: (Note 4)		
Land	337,795	274,543
Buildings & improvements	13,874,889	12,362,870
Transportation equipment	20,217,195	16,100,844
Other equipment	3,565,912	3,403,995
Construction & WIP	4,487,193	4,522,277
Total capital assets	42,482,984	36,664,529
Less accumulated depreciation	(15,825,190)	(14,594,117)
Capital assets - net	26,657,794	22,070,412
TOTAL ASSETS	\$ 34,490,506	\$ 27,108,474
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 353,969	\$ 643,307
Accrued payroll	307,859	486,365
Accrued payroll taxes & withholdings	487,503	327,191
Other current liabilities	30,948	47,560
Deferred capital grants	38,899	
TOTAL CURRENT LIABILITIES	1,219,178	1,504,423
TOTAL LIABILITIES	1,219,178	1,504,423
NET ASSETS:		
Invested in capital assets	26,657,794	22,070,412
Restricted	38,899	
Unrestricted	6,574,635	3,533,639
TOTAL NET ASSETS	33,271,328	25,604,051
TOTAL LIABILITIES AND NET ASSETS	\$ 34,490,506	\$ 27,108,474

See accompanying notes to financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Passenger fares	\$ 1,051,643	\$ 1,052,755
Special transit fares	529,091	491,479
Auxiliary transportation revenues	22,176	37,570
TOTAL OPERATING REVENUES	<u>1,602,910</u>	<u>1,581,804</u>
OPERATING EXPENSES		
Labor	5,566,669	5,898,232
Fringe benefits	4,143,021	4,844,810
Materials & supplies	2,342,831	2,522,939
ODOT Fuel Tax Reimbursement	(144,267)	(155,417)
Services	728,318	570,908
Utilities	241,461	277,368
Casualty & liability insurance	617,237	377,719
Leases & rentals	1,738	7,998
Miscellaneous	356,638	241,921
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	<u>13,853,646</u>	<u>14,586,478</u>
OPERATING LOSS BEFORE DEPRECIATION	(12,250,736)	(13,004,674)
DEPRECIATION EXPENSE (Note 4)	<u>1,911,419</u>	<u>1,717,793</u>
OPERATING LOSS	(14,162,155)	(14,722,467)
NONOPERATING REVENUES (EXPENSES)		
Sales tax revenues (Note 3)	11,367,468	10,408,166
Operating grants and reimbursements	4,068,219	2,885,603
Special fare assistance	372,917	346,642
Interest income	19,799	230
Interest expense		(1,076)
Sales tax collection expense	(112,509)	(104,082)
Loss on disposal of capital assets	(13,259)	2,667
Non-transportation revenues	32,079	20,065
Unusual legal events	(79,708)	(30,000)
Total Non-Operating Revenues - Net	<u>15,655,006</u>	<u>13,528,215</u>
NET GAIN/(LOSS) BEFORE CAPITAL GRANT REVENUE	1,492,851	(1,194,252)
Federal capital grant	5,674,426	1,812,717
State capital grant	500,000	-
	<u>6,174,426</u>	<u>1,812,717</u>
INCREASE IN NET ASSETS	7,667,277	618,465
Net assets, beginning of year	<u>25,604,051</u>	<u>24,985,586</u>
Net assets, end of year	<u>\$ 33,271,328</u>	<u>\$ 25,604,051</u>

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	\$ 1,625,181	\$ 1,535,047
Gross cash payments to suppliers for goods & services	(4,299,898)	(4,590,548)
Gross cash payments to employees for salaries and wages	(5,584,863)	(5,905,419)
Gross cash payments for employees benefits	(4,149,772)	(4,040,215)
Gross other	(47,629)	(82,248)
Net cash used in operating activities	(12,456,981)	(13,083,383)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	11,015,399	10,533,854
Gross operating & preventive maintenance grants received	4,187,772	3,819,970
Payments of notes payable		(398,908)
Net cash provided by noncapital financing activities	15,203,171	13,954,916
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	5,501,283	1,850,698
Gross state capital grant revenue	500,000	
Gross acquisition of capital assets & work in process	(6,512,060)	(2,409,564)
Net cash used in capital and related financing activities	(510,777)	(558,866)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	19,799	207
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,255,212	312,874
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,097,269	784,395
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,352,481	\$ 1,097,269
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (14,162,155)	\$ (14,722,467)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,911,419	1,717,793
Change in assets and liabilities:		
Decrease in accounts receivable - trade	22,271	2,341
Decrease in materials & supplies inventory	57,350	7,329
Decrease in prepaid expenses & other assets	85,907	238,249
Increase (decrease) in accounts payable - operations	(336,967)	109,746
Increase (decrease) in accrued payroll	(178,506)	35,732
Decrease in accrued payroll taxes	160,312	(32,750)
Increase (decrease) in deferred revenue		(23,143)
Decrease in Notes Payable		(398,908)
Decrease in other current liabilities	(16,612)	(17,305)
NET CASH USED IN OPERATING ACTIVITIES	\$ (12,456,981)	\$ (13,083,383)

See accompanying notes to financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Stark Area Regional Transit Authority (the "Authority") was created pursuant to Section 306.30 through 306.711 of the Ohio Revised Code for the purpose of providing public transportation in the Stark County, Ohio area. As a political subdivision, it is distinct from and not an agency of the State of Ohio or any other local governmental unit. The Authority is not subject to federal or state income taxes.

The Authority is managed by a nine-member Board of Trustees and provides virtually all mass-transportation within the Stark County area. Approximately 75 percent of the Authority's employees at December 31, 2010 were subject to a collective bargaining agreement that expires on January 4, 2013.

Under Ohio law, the Authority is authorized to levy a sales tax and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Stark County (see Note 3). On May 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority's operations through June of 2017.

Reporting Entity

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

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is any 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.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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.

The Authority complies with the provisions of GASB Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions". In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of non-exchange transactions involving financial or capital resources. The 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.

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

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

Description	Years
Buildings	40
Transportation Equipment	5-12
Other Equipment	3-8

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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

incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivable and credited to non-operating revenues in the period operating expenditures are incurred.

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

Classifications of Expenses

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

Federal and State Operating and Preventive Maintenance Assistance Funds

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

Sales Tax Revenues

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

Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees. Vacation time must be used within the calendar year. Unused vacation 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 up to 320 hours. Hours earned during the year exceeding 320 hours as paid at fiscal year end at 50% value at current earnings rate. Administrative employees are paid accrued sick days upon separation from service at fifty percent value, at current earnings rate.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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 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

At December 31, 2010, the carrying amount of the Authority's deposits was \$3,332,407. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$3,082,407 of the Authority's bank balance of \$3,332,407 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

2. CASH AND CASH EQUIVALENTS (CONT'D)

At December 31, 2009, the carrying amount of the Authority's deposits was \$1,077,216. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2009, \$827,216 of the Authority's bank balance of \$1,077,216 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

However, all of these balances were collateralized with securities held by the pledging financial institution but not in the Authority's name.

Investments

As of December 31, 2010 and 2009, the Authority had the following investments:

<u>Investment</u>	2010 <u>Fair Value</u>	2009 <u>Fair Value</u>
State Treasurer's Investment Pool StarOhio	\$20,074	\$20,053

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 sixty days.

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>Investment Maturity</u>		
	<u>Fair Value</u>	<u>Less than one year</u>	<u>One to five years</u>
<u>2009 Investment</u>			
State Treasurer's Investment Pool (Star Ohio)	\$20,053	\$20,053	\$0
<u>2010 Investment</u>			
State Treasurer's Investment Pool (Star Ohio)	\$20,074	\$20,074	\$0

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

2. CASH AND CASH EQUIVALENTS (CONT'D)

Credit Risk

As of December 31, 2010, 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, 2010 and 2009, \$3,082,407 and \$827,216, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Custodial Credit Risk-Investments

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

3. TAX REVENUES

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

Capital Assets & Depreciation Balances	BEGINNING BALANCE 1/1/10	ADDITIONS	DISPOSALS	CIP TRANSFERS	ENDING BALANCE 12/31/10
Capital Assets Not Being Depreciated:					
Land	\$ 274,543	\$ 0	\$ 0	\$ 63,252	\$ 337,795
Construction & Projects in Progress	<u>4,522,277</u>	<u>1,996,502</u>	<u>136,296</u>	<u>(1,895,290)</u>	<u>4,487,193</u>
Total Capital Assets Not Depreciated	4,796,820	1,996,502	136,296	(1,832,038)	4,824,988
Capital Assets Being Depreciated:					
Buildings & Improvements	12,362,870	19,704	2,170	1,494,485	13,874,889
Transportation Equipment	16,100,844	4,621,719	562,397	57,029	20,217,195
Other Equipment	<u>3,403,995</u>	<u>17,632</u>	<u>136,239</u>	<u>280,524</u>	<u>3,565,912</u>
Total Capital Assets being Depreciated	31,867,709	4,659,055	700,806	1,832,038	37,657,996
Total Capital Assets	36,664,529	6,655,557	837,102	0	42,482,984
Buildings & Improvements	1,321,872	339,000	2,170	0	1,658,702
Transportation Equipment	10,439,718	1,382,902	543,989	0	11,278,631
Other Equipment	2,832,527	189,518	134,188	0	2,887,857
Total Accumulated Depreciation	14,594,117	1,911,420	680,347	0	15,825,190
Total Capital Assets, Net	<u>\$22,070,412</u>	<u>\$ 4,744,137</u>	<u>\$ 156,755</u>	<u>\$ 0</u>	<u>\$26,657,794</u>

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

4. CAPITAL ASSETS (CONT'D)

Capital asset activity for the year ended December 31, 2009 was as follows:

Capital Assets & Depreciation Balances	BEGINNING BALANCE 1/1/09	ADDITIONS	DISPOSALS	CIP TRANSFERS	ENDING BALANCE 12/31/09
Capital Assets Not Being Depreciated:					
Land	\$ 274,543	\$ 0	\$ 0	\$ 0	\$ 274,543
Construction & Projects in Progress	<u>4,406,118</u>	<u>2,392,937</u>	<u>0</u>	<u>(2,276,778)</u>	<u>4,522,277</u>
Total Capital Assets Not Depreciated	4,680,661	2,392,937	0	(2,276,778)	4,796,820
Capital Assets Being Depreciated:					
Buildings & Improvements	12,311,993	0	0	50,877	12,362,870
Transportation Equipment	15,452,824	0	1,510,842	2,158,862	16,100,844
Other Equipment	<u>3,335,046</u>	<u>9,101</u>	<u>7,191</u>	<u>67,039</u>	<u>3,403,995</u>
Total Capital Assets being Depreciated	31,099,863	9,101	1,518,033	2,276,778	31,867,709
Total Capital Assets	35,780,524	2,402,038	1,518,033	0	36,664,529
Buildings & Improvements	993,715	328,157	0	0	1,321,872
Transportation Equipment	10,768,501	1,182,059	1,510,842	0	10,439,718
Other Equipment	2,631,961	207,757	7,191	0	2,832,527
Total Accumulated Depreciation	14,394,177	1,717,973	1,518,033	0	14,594,117
Total Capital Assets, Net	<u>\$21,386,347</u>	<u>\$ 684,065</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$22,070,412</u>

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS

Plan Description

- A. All employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), which administers three separate pension plans as described below:
1. **The Traditional Pension Plan** — A cost sharing, multiple-employer defined benefit pension plan.
 2. **The Member-Directed Plan** — A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
 3. **The Combined Plan** — A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.
- B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.
- C. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.
- D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

- E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan.

The 2010 member contribution rates were 10.00% for members in state and local classifications. Members in the public safety and law enforcement classifications contributed 10.5% and 11.1%, respectively.

The 2010 employer contribution rate for state employers was 14.00% of covered payroll. For law enforcement employers, and public safety employers, the contribution rate was 17.87% of covered payroll.

- F. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records. Due to contractual agreement with the Union, union employees pay 1.50% of their employee contribution, with the balance paid by the Authority. The Authority has opted to fund the full employee contribution amounts for non-union employees. The Authority's contributions for 2010, 2009, and 2008, were \$ 901,390, \$1,058,600 and \$1,079,258 respectively.

Post-Retirement Benefits

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

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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

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 2010, state and local employers (the Authority is part of this unit) contributed at a rate of 14.00% of covered payroll. Public safety and law enforcement employer units contributed at 17.87%.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. 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 and is required to provide OPEB benefits.

C. Summary of Assumptions

- Actuarial Review — The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2009.

Funding Method — The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are level percents of payroll contributions based on an open amortization period.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

- Assets Valuation Method — For actuarial purposes, assets are valued using a method that recognizes book value plus or minus realized and unrealized investment gains and losses, amortized on a straight-line basis over a four-year period. This funding value is not permitted to deviate from market value by a corridor of plus or minus 12%.
- Investment Return — The investment assumption rate for 2009 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. 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%.
- Benefit Payments — Health care costs are assumed to increase at the projected wage inflation rate of 4.0% plus an additional factor ranging from .50% to 3.0% for the next 6 years. In subsequent years (7 and beyond), health care costs are assumed to increase at 4.0% (the projected wage inflation rate).

D. OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The Traditional Pension and Combined Plans had 360,423 active contributing participants as of December 31, 2010. The number of active contributing participants for both plans used in the December 31, 2009, actuarial valuation was 357,584.

The rates stated in Section A, above, are the contractually required contribution rates for OPERS. The portion of SARTA's contributions that were used to fund post employment benefits can be approximated by multiplying actual employer contributions by multiplying actual employer contributions for January 1 through February 28 by 0.3929 and multiplying actual employer contributions for the period March 1 through December 31 by 0.3571. The amount of SARTA's required contribution to fund post-employment benefits in 2010, 2009 and 2008 were \$556,672, \$467,104 and \$471,798, respectively.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

5. RETIREMENT BENEFITS (CONT'D)

2. The amount of \$10.9 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2009.
3. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2009, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.5 billion and \$20.6 billion, respectively.

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

6. RESTRICTED ASSETS

SARTA received insurance proceeds in the amount of \$38,899 for a bus that was totaled. The proceeds will be used to offset a future bus purchase, thereby reducing the amount to be drawn from grant funds.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

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>Grants</u>	<u>2010</u>	<u>2009</u>
State and Federal Preventative Maintenance	\$ 1,867,048	\$ 2,193,689
State Capital	500,000	-
Federal Planning	190,354	35,290
Federal Operating	-	514,527
Federal Capital	4,918,728	1,812,717
Federal JARC & New Freedom	363,330	93,838
ARRA Operating & Capital	2,403,185	48,259
ODOT Elderly Special Fare Assistance	<u>372,917</u>	<u>346,642</u>
Total Grants	\$ 10,615,562	\$ 5,044,962
<u>Reimbursements</u>		
ODOT Fuel Tax Reimbursement	<u>144,267</u>	<u>155,417</u>
Total Reimbursements	<u>144,267</u>	<u>155,417</u>
Total Grants and Reimbursements	<u><u>\$ 10,759,829</u></u>	<u><u>\$ 5,200,379</u></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

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

8. RISK MANAGEMENT (CONT'D)

for 9 (as of December 31, 2008) member transit agencies. The Authority pays an annual premium to OTRP for its general insurance coverage for losses greater than the Pool's retained losses. Quarterly, the Authority pays into a loss and administration fund pursuant to OTRP's bylaws to fund this retained layer. The Agreement of Formation of OTRP provides that OTRP will be self-sustaining through member contributions and will purchase coverage in excess of the Pool retained amount through commercial companies

with an industry standard rating of A or better. All retained amounts and limits listed are per occurrence. Coverage is granted per occurrence.

Current coverage is purchased for commercial property losses in excess of \$100,000 with limits up to \$200,000,000 and for Auto Physical Damages losses in excess of \$250,000 with limits up to \$50,000,000. Additionally, coverage is purchased for all covered liability claims in excess of \$1,000,000 with limits up to \$7,500,000 for automobile liability and \$5,000,000 for all other liability 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 Authority's fiscal officer(s) as required by ORC Section 306.42.

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

The authority does not have a policy relating to the credit risk of investments.

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

9. LEASES

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

10. NOTES PAYABLE

In 2007 the Authority established a line of credit with Huntington National Bank. Interest will be calculated at a rate of 0.26 percentage points over the index. There was a zero balance at December 31, 2010, a zero balance at December 31, 2009 and a balance of \$398,908 at December 31, 2008.

STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN SHORT TERM DEBT

2008	Increase	(Decrease)	Balance
04/30/08	500,000		\$ 500,000
11/30/08		(1,092)	498,908
12/17/08		(100,000)	398,908
2009			
01/08/09		(100,000)	298,908
02/04/09		(100,000)	198,908
03/18/09	200,000		398,908
06/18/09		(398,908)	\$ -
2010			
12/31/2010	\$ -	\$ -	\$ -

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

11. CONTINGENCIES

Federal and State Grants – Under the terms of the various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2010, 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.

Contract Disputes and Legal Proceedings – the Authority has been named as a defendant in certain contract disputes and other legal proceedings. Although the eventual outcome of these matters cannot be predicted, it is the opinion of management that the ultimate outcome is not expected to have a material effect on the Authority’s financial position.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events for potential recognition and/or disclosure through June 23, 2011, the date the financial statements were available to be issued.

On May 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy until June of 2017.

13. CHANGES IN ACCOUNTING POLICY

Effective for period beginning after June 15, 2009, the Authority implemented GASB Statement No.51, “Accounting and Financial Reporting for Intangible Assets” that will improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments” that will improve financial reporting by requiring governments to measure derivative instruments, with the exception of SGICs that are fully benefit-responsive, at fair value in their

STARK AREA REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2010 and 2009

13. CHANGES IN ACCOUNTING POLICY (CONT'D)

economic resources measurement focus financial statements, and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies.", that will improve financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy.

These Statements did not have an impact on the Authority's financial statements.

14. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued these new accounting pronouncements. Statement No. 59, "Financial Instruments Omnibus." This statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards, this Statement is effective for period beginning after June 15, 2010. Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This statement requires disclosures about an service concession arrangements including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and

retained, and guarantees and commitments. Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source, these Statements are effective for periods beginning after December 15, 2011. Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34." This Statement will also clarify the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset, this Statement is effective for period beginning after June 15, 2012.

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

Statistical Section 2010

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

Contents/Page Number

Financial Trends (Pages 44-45)

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

Revenue Capacity (Pages 46-48)

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

Operating Information (Pages 49-52)

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

Debt Capacity (Page 53)

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

Demographic and Economic (Pages 54-61)

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

Financial Trend Information 2010

(Unaudited)

Table 1 – Net Assets

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

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

Table 1

	2010	2009	2008	2007	2006	2005
NET ASSETS						
Invested in Capital Assets	\$ 26,657,794	\$ 22,070,412	\$ 21,386,347	\$ 20,436,088	\$ 19,545,695	\$ 18,794,569
Restricted	38,899	-	-	75,384	-	124,842
Unrestricted	6,574,635	3,533,639	3,599,239	3,104,616	3,207,574	3,121,371
TOTAL NET ASSETS	<u>\$ 33,271,328</u>	<u>\$ 25,604,051</u>	<u>\$ 24,985,586</u>	<u>\$ 23,616,088</u>	<u>\$ 22,753,269</u>	<u>\$ 22,040,782</u>

Data for years 2001 - 2004 not accessible.

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

Table 2

	2010	2009	2008	2007	2006	2005
OPERATING REVENUES						
Passenger Fares.....	\$ 1,051,643	\$ 1,052,755	\$ 1,184,354	\$ 1,024,118	\$ 959,445	\$ 877,269
Special Transit Fares.....	529,091	491,479	480,272	383,994	226,553	220,836
Auxiliary Transportation Revenue.....	22,176	37,570	23,116	30,402	32,711	38,267
TOTAL OPERATING REVENUES	\$ 1,602,910	\$ 1,581,804	\$ 1,687,742	\$ 1,438,514	\$ 1,218,709	\$ 1,136,372
OPERATING EXPENSES						
Labor.....	\$ 5,566,669	\$ 5,898,232	\$ 6,124,933	\$ 6,085,584	\$ 6,237,295	\$ 5,958,496
Fringe Benefits.....	4,143,021	4,844,810	4,591,727	4,546,981	4,852,882	4,597,730
Materials & Supplies.....	2,198,564	2,367,522	2,795,146	2,299,169	1,914,954	1,778,542
Services.....	728,318	570,908	541,850	635,497	763,943	743,478
Utilities.....	241,461	277,368	292,402	289,131	285,521	230,473
Casualty & Liability.....	617,237	377,719	341,309	757,927	708,362	660,774
Leases & Rentals.....	1,738	7,998	12,693	14,012	11,044	6,648
Miscellaneous.....	356,638	241,921	197,431	117,571	121,012	71,270
TOTAL OPERATING EXPENSES						
Before Depreciation Expense.....	\$ 13,853,646	\$ 14,586,478	\$ 14,897,491	\$ 14,745,872	\$ 14,895,013	\$ 14,047,411
OPERATING LOSS						
Before Depreciation Expense.....	\$ (12,250,736)	\$ (13,004,674)	\$ (13,209,749)	\$ (13,316,181)	\$ (13,676,303)	\$ (12,911,039)
Depreciation Expense.....	1,911,419	1,717,793	1,719,897	1,827,642	2,301,805	2,439,508
OPERATING LOSS.....	\$ (14,162,155)	\$ (14,722,467)	\$ (14,929,646)	\$ (15,143,823)	\$ (15,978,108)	\$ (15,350,547)
NON OPERATING REVENUES (EXPENSES)						
Sales Tax Proceeds.....	\$ 11,367,468	\$ 10,408,166	\$ 11,799,986	\$ 11,897,832	\$ 11,683,697	\$ 11,384,241
Federal Preventative Maintenance.....	1,841,668	1,909,366	2,089,920	1,738,436	1,228,565	639,246
Federal Capital & Operating Grants.....	2,010,817	656,624				
State Preventative Maintenance.....	25,380	284,323	187,423	249,548	301,053	153,186
Elderly & Disables Assistance.....	372,917	346,642	498,892	202,580	100,641	97,639
Federal Planning Grants.....	190,354	35,290	127,683	-	-	-
Investment/Interest Income.....	19,799	230	1,329	6,523	26,928	52,776
Interest Expense	-	(1,076)	(9,981)	-	-	-
Sales Tax Collection Expense (Note 1).....	(112,509)	(104,082)	(118,000)	(136,935)	(138,075)	-
Gain (Loss) on Disposal.....	(13,259)	2,667	(4,693)	(3,518)	(3,046)	1,660
Non-transportation Revenue.....	32,079	20,065	24,971	16,638	20,573	20,884
Special Item*.....	(79,708)	(30,000)	(22,625)	(30,343)	-	(9,500)
NON OPERATING REVENUES/EXPENSES - NET...	\$ 15,655,006	\$ 13,528,215	\$ 14,574,905	\$ 13,940,761	\$ 13,220,336	\$ 12,340,132
CAPITAL GRANT REVENUE						
Federal Capital Grant.....	\$ 5,674,426	\$ 1,812,717	\$ 1,724,239	\$ 2,065,881	\$ 3,519,606	\$ 4,175,826
State Capital Grant.....	500,000	-	-	-	-	301,935
TOTAL CAPITAL GRANTS.....	\$ 6,174,426	\$ 1,812,717	\$ 1,724,239	\$ 2,065,881	\$ 3,519,606	\$ 4,477,761
CHANGE IN NET ASSETS.....	\$ 7,667,277	\$ 618,465	\$ 1,369,498	\$ 862,819	\$ 761,834	\$ 1,467,346
Net Assets, Beginning Balance.....	25,604,051	24,985,586	23,616,088	22,753,269	22,040,782	20,993,246
Prior Period Auditor Adjustments.....	-	-	-	-	(49,347)	(419,810)
Net Assets, Ending Balance.....	\$ 33,271,328	\$ 25,604,051	\$ 24,985,586	\$ 23,616,088	\$ 22,753,269	\$ 22,040,782

* 2005, 2007 & 2008 - Non-recurring Legal Expense
2009 Employee Settlements
2010 Employee Settlements & IRS Settlements

Data for Years 2001 - 2004 not accessible

Revenue Capacity Information 2010

(Unaudited)

Table 3 – Revenue Base

Table 4 – Passenger Revenue Rates

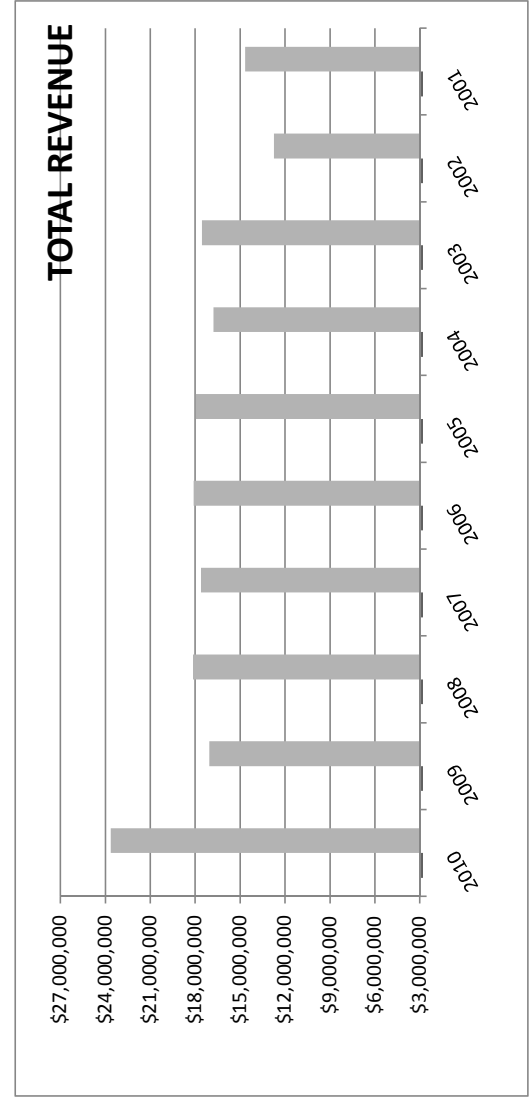
Table 5 – Sales Tax Revenue

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

Rounded to The Nearest Dollar
(Unaudited)

Table 3

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
FARES	\$1,580,734	\$1,544,234	\$1,664,626	\$1,408,112	\$1,187,321	\$1,098,105	\$1,001,469	\$951,052	\$1,002,220	\$1,074,349
SALES TAX	\$11,367,468	\$10,408,166	\$11,799,986	\$11,897,832	\$11,683,697	\$11,384,241	\$11,430,900	\$10,739,684	\$10,603,218	\$10,237,386
FEDERAL:										
Operating Grants	\$553,684	\$643,655	\$0	\$0	\$0	\$0	\$0	\$37,699	\$0	\$25,512
Capital Grant Reimbursements	\$9,163,581	\$3,770,342	\$3,941,842	\$3,804,317	\$4,748,171	\$4,815,072	\$3,444,397	\$4,743,099	\$966,450	\$2,213,401
STATE:										
Operating Grants	\$372,917	\$346,642	\$498,892	\$202,580	\$100,641	\$97,639	\$54,256	\$120,453	\$96,231	\$227,279
Special Fare Assistance	\$525,380	\$284,323	\$187,423	\$249,548	\$301,053	\$455,121	\$780,873	\$912,099	\$43,255	\$795,504
Capital Grant Reimbursements										
LOCAL:										
Operating Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$6,820	\$17,500	\$0	\$0
Reimbursement	\$32,079	\$20,065	\$24,971	\$16,638	\$20,573	\$20,884	\$40,933	\$11,041	\$4,212	\$19,421
Nontransportation	\$41,975	\$37,800	\$24,445	\$36,925	\$58,316	\$91,043	\$26,318	\$15,785	\$17,607	\$82,739
Misc Income	\$23,637,818	\$17,055,227	\$18,142,185	\$17,615,952	\$18,099,772	\$17,962,105	\$16,785,966	\$17,548,412	\$12,733,193	\$14,675,591



STARK AREA REGIONAL TRANSIT AUTHORITY
2010 PASSENGER REVENUE RATES
(As of 12/31/10)
(Unaudited)

Table 4

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

Note:

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

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

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

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

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

Children - Passengers ages 5 and under fie free.

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

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

STARK AREA REGIONAL TRANSIT AUTHORITY
SALES TAX REVENUE
(Unaudited)

Table 5

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
SALES TAX REVENUE	\$11,367,468	\$10,408,166	\$11,799,986	\$11,897,832	\$11,683,697	\$11,384,241	\$11,430,900	\$10,739,684	\$10,603,218	\$10,237,386
POPULATION*	375,586	379,466	379,214	378,664	380,575	380,275	380,421	380,076	379,402	379,699
SALES TAX PER CAPITA	\$30.27	\$27.43	\$31.12	\$31.42	\$30.70	\$29.94	\$30.05	\$28.26	\$27.95	\$26.96

* Population

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

**STARK AREA REGIONAL TRANSIT AUTHORITY
NUMBER OF EMPLOYEES AND LABOR CLASSIFICATION**

(Unaudited)

Table 6

CLASSIFICATION / YEAR	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
VEHICLE OPERATIONS	137	143	149	148	149	149	149	150	154	208
VEHICLE MAINTENANCE	28	28	29	28	30	29	23	32	31	41
NON-VEHICLE MAINTENANCE	2	3	2	3	3	3	7	2	2	2
GENERAL ADMINISTRATION	12	13	22	21	20	22	30	17	16	13
TOTAL OPERATING LABOR	179	187	202	200	202	203	209	201	203	264
TOTAL CAPITAL LABOR	0	9	9	8	2	2	0	0	0	0
TOTAL LABOR	179	196	211	208	204	205	209	201	203	264

STARK AREA REGIONAL TRANSIT AUTHORITY
OPERATING INDICATORS
(Unaudited)

Table 7

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<u>System Ridership</u>										
Fixed Route	1,959,470	1,995,218	2,303,725	2,034,437	2,098,200	1,814,412	1,299,848	1,157,633	1,196,725	1,348,906
Paratransit	128,905	138,217	148,193	156,550	158,622	150,178	135,450	112,756	105,832	95,558
Shuttles and Specials	19,958	30,702	78,012	79,017	92,155	64,008	27,952	N/A	N/A	N/A
<u>Average Weekday System Ridership</u>										
Fixed Route	6,940	7,187	7,828	6,627	6,773	6,146	3,561	3,771	3,898	4,394
Paratransit	461	495	523	510	566	533	371	367	345	326
<u>Average Weekday Miles Operated</u>										
Fixed Route	7,465	7,800	7,899	7,798	8,597	8,711	6,954	7,083	8,825	10,407
Paratransit	4,176	3,752	3,912	4,637	4,880	4,718	4,455	2,836	3,641	3,320
<u>Revenue Miles</u>										
Fixed Route	2,116,316	2,324,483	2,518,321	2,479,147	2,519,313	2,561,836	2,414,981	2,528,612	2,709,275	3,194,896
Paratransit	1,026,751	1,207,790	1,118,488	1,321,761	1,220,104	1,183,973	1,097,628	1,012,374	1,117,699	1,019,258
<u>Passenger Miles</u>										
Fixed Route	9,916,934	10,149,079	11,540,775	9,449,219	7,892,852	7,442,335	3,899,544	3,472,899	3,590,175	4,181,609
Paratransit	1,193,861	1,340,807	1,475,840	1,429,668	1,385,939	1,268,802	1,140,136	778,016	730,241	659,350
<u>Energy Consumption</u>										
Gallons of diesel/biodiesel	534,326	575,616	612,542	658,278	646,562	586,863	566,079	607,845	674,334	780,699
Cost	\$1,245,736	\$1,486,250	\$1,886,629	\$1,579,867	\$1,430,134	\$876,015	\$705,429	\$604,601	\$706,363	\$897,023
Avg Cost Per Gallon	\$2.33	\$3.08	\$2.40	\$2.21	\$2.21	\$1.25	\$0.99	\$1.05	\$1.15	\$1.06
<u>Fleet Requirement</u>										
Fixed Route	32	35	38	34	34	35	36	36	53	53
Paratransit	23	23	25	24	24	26	44	42	42	42
<u>Total Active Vehicles</u>										
Fixed Route	38	40	82	79	82	42	49	49	71	95
Paratransit	42	43	42	45	41	42	44	42	42	42
<u>Number of Employees</u> Full Time Equivalent	179	187	209	208	204	214	202	199	194	226

* Ridership decrease due to reduction in service in 2002 from 1/2 hour to 1 hour in order to balance budget.

Operating Information 2010

(Unaudited)

Table 6 – Employees & Labor Classification

Table 7 – Operating Indicators

Table 8 – Expenses by Source/Object

Table 9 – Capital Asset Statistics

**STARK AREA REGIONAL TRANSIT AUTHORITY
EXPENSES BY SOURCE - LAST TEN YEARS**

Rounded to The Nearest Dollar
(Unaudited)

Table 8

	2010	2009	2008	2007	2006	2005	2004	2003	2002 *	2001
Labor	\$5,566,669	\$5,898,232	\$6,124,933	\$6,085,584	\$6,237,294	\$6,039,734	\$6,381,800	\$5,680,342	\$5,545,835	\$6,172,965
Fringe Benefits	\$4,143,021	\$4,844,810	\$4,591,727	\$4,546,981	\$4,852,882	\$4,597,730	\$3,652,213	\$3,810,667	\$3,728,101	\$3,534,124
General & Administrative	\$4,349,432	\$3,978,594	\$4,331,437	\$4,284,104	\$3,945,957	\$3,409,947	\$3,062,213	\$2,703,210	\$2,484,236	\$3,169,170
Depreciation	\$1,911,419	\$1,717,793	\$1,719,897	\$1,827,642	\$2,301,806	\$2,439,508	\$2,425,655	\$2,636,151	\$1,784,152	\$1,867,846
	\$15,970,541	\$16,439,429	\$16,767,994	\$16,744,311	\$17,337,939	\$16,486,919	\$15,521,881	\$14,830,370	\$13,542,324	\$14,744,105

EXPENSES BY OBJECT - LAST TEN YEARS

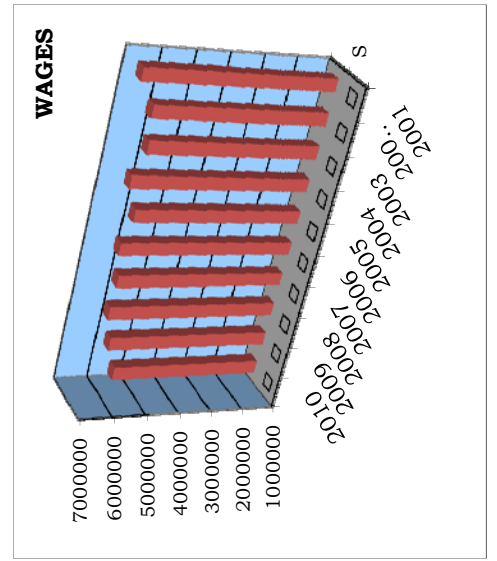
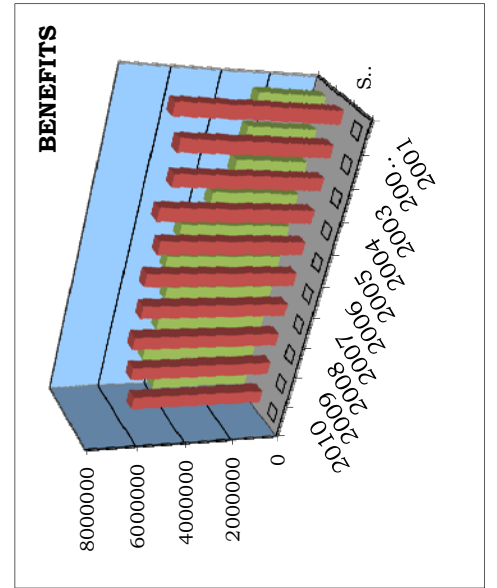
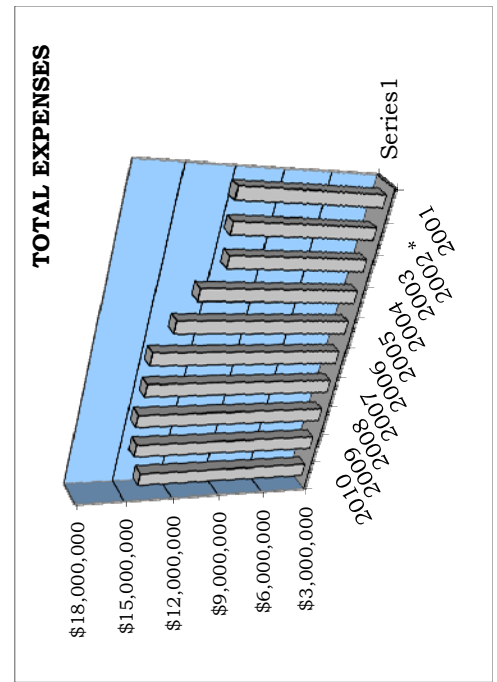
Rounded to The Nearest Dollar
(Unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002 *	2001
Wages	\$5,566,669	\$5,898,232	\$6,124,933	\$6,085,584	\$6,237,294	\$6,039,734	\$6,381,800	\$6,103,474	\$6,215,003	\$6,718,353
Benefits	\$4,143,021	\$4,844,810	\$4,591,727	\$4,546,981	\$4,852,882	\$4,597,730	\$3,652,213	\$3,009,814	\$2,888,719	\$2,801,036
Services	\$728,318	\$570,908	\$541,850	\$635,497	\$763,944	\$743,478	\$434,676	\$497,825	\$524,720	\$420,426
Supplies **	\$2,198,564	\$2,367,522	\$2,795,146	\$2,299,169	\$1,914,954	\$1,778,542	\$1,207,937	\$1,254,734	\$1,449,992	\$1,610,892
Utilities	\$241,461	\$277,368	\$292,402	\$289,131	\$285,521	\$230,473	\$203,814	\$194,100	\$164,305	\$210,971
Casualty & Liability **	\$617,237	\$377,719	\$341,309	\$757,928	\$708,362	\$598,556	\$671,035	\$609,618	\$478,313	\$270,863
Depreciation	\$1,911,419	\$1,717,793	\$1,719,897	\$1,827,642	\$2,301,806	\$2,439,508	\$2,425,655	\$2,376,075	\$2,087,004	\$1,891,548
Miscellaneous Expenses	\$563,852	\$385,077	\$360,730	\$307,683	\$273,177	\$58,898	\$544,751	\$162,596	\$397,247	\$333,442
Total Expenses	\$14,059,122	\$14,721,636	\$15,048,097	\$14,921,973	\$15,036,134	\$14,047,411	\$13,096,226	\$11,832,161	\$12,118,299	\$12,365,983

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 9

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
				Fiscal Year						
Revenue Vehicle Inventory										
Heavy Duty Vehicles	38	38	40	42	41	42	42	42	48	N/A
Light Duty Vehicles	42	43	42	42	41	42	44	44	44	N/A
Total Revenue Vehicle Inventory	80	81	82	84	82	84	86	86	92	
Administration/Maintenance Buildings	1	1	1	1	1	1	1	1	1	N/A
Transit Stations	3	3	3	3	3	3	3	2	2	N/A
Source: NTD Data										
*N/A - Not available										

Debt Capacity Information 2010

(Unaudited)

Table 10 – Debt Service

Table 11 – Schedule of Changes in Short term Debt

STARK AREA REGIONAL TRANSIT AUTHORITY

Debt Service

(Unaudited)

Table 10

YEAR	REVENUES (1)	EXPENSES (2)	DEBT SERVICE	PRINCIPAL	INTEREST	DEBT (3)	COVERAGE
2010	23,637,818	14,059,122	9,578,696				
2009	17,055,227	14,721,636	2,333,591				
2008	18,142,185	15,052,791	3,089,394	398,908	9,981	408,889	7.56
2007	17,615,952	14,916,670	2,699,282				
2006	18,099,772	15,174,207	2,925,565				
2005	17,962,105	14,047,411	3,914,694				
2004	16,785,966	13,096,226	3,689,740				
2003	17,548,412	12,244,067	5,304,345				
2002	12,733,193	11,758,172	975,021				
2001	14,675,591	12,876,259	1,799,332				

(1) Gross revenues include interest, planning grants, special fares assistance, local grants and other non-operating revenues.

(2) Total expenses exclusive of depreciation and inclusive of loss on disposal of assets and sales tax administrative charge.

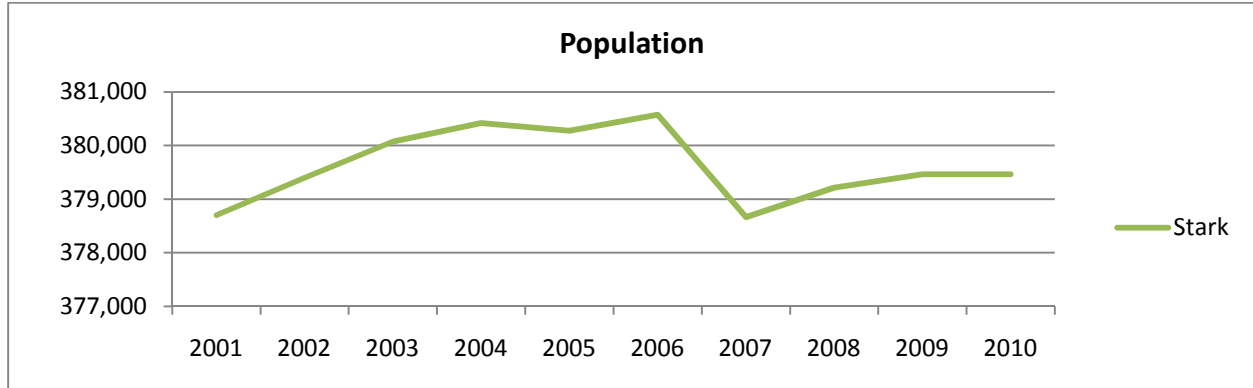
(3) Huntington National Bank Line of Credit principal and interest.

Economic & Demographic Information 2010

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

ECONOMIC CONDITION AND OUTLOOK

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



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Stark	378,699	379,402	380,076	380,421	380,275	380,575	378,664	379,214	379,466	375,586

Source: Stark County Quick facts from the US Census Bureau

Link: <http://quickfacts.census.gov>

Ten years ago manufacturing jobs drove the economy in Stark County. During the past ten years Stark County has transitioned from a manufacturing base to a health, education and social services based economy. According to estimates from the U.S. Bureau of Labor Statistics manufacturing jobs declined by nearly a third from 2001 to 2010.

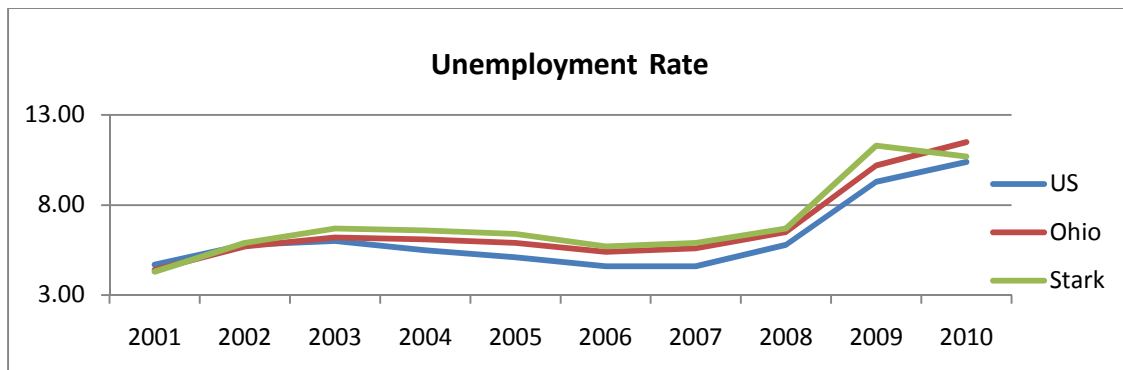
The Unemployment rate continues to trend upwards despite the growth in non-manufacturing jobs. The jobs created by the non-manufacturing sector have not been numerous enough to out pace the loss of manufacturing jobs.

Stark County Major Employers			
2010		2000	
Company	Employees*	Company	Employees
Aultman Hospital	4,056	Timken Company	6,108
The Timken Company	3,714	Aultman Health Foundation	3,515
Stark County Government	2,781	Stark County Government	2,852
Mercy Medical Center	2,109	Republic Engineered Steels	2,800
Diebold, Inc.	1,826	Maytag-Hoover	2,750
Freshmark, Inc.	1,327	Mercy Medical Center	2,700
Alliance Community Hospital	1,082	Canton City Board of Education	1,794
Stark State College	884	Diebold, Inc	1,578
Republic Engineered Products, Inc.	816	The Akron Corporation	1,250

*Self-reported number of employees working in Stark County

Source: Stark Development Board Inc

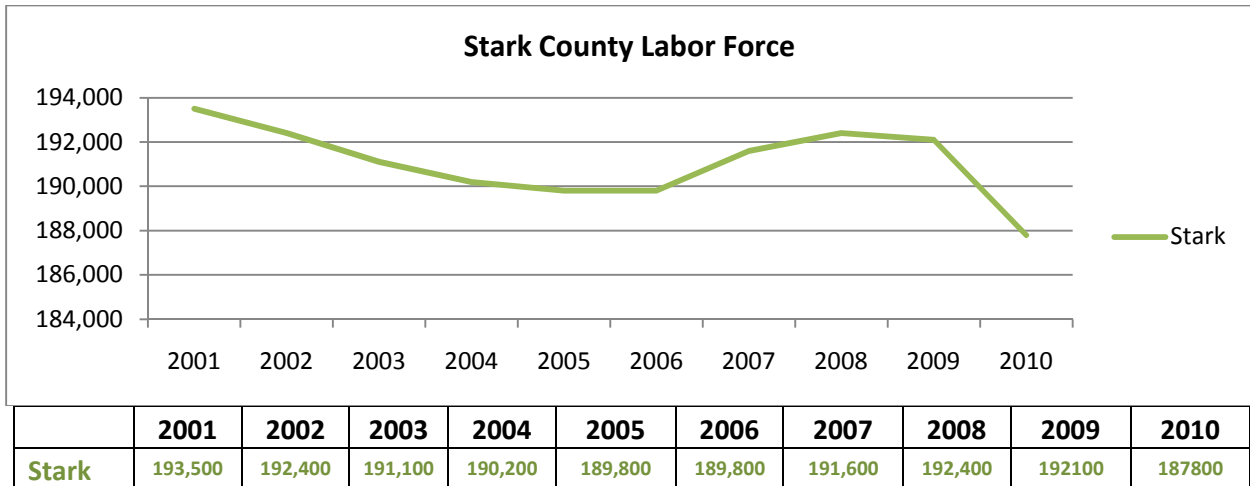
Link: www.starkcoohio.com



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US	4.70	5.80	6.00	5.50	5.10	4.60	4.60	5.80	9.30	10.40
Ohio	4.40	5.70	6.20	6.10	5.90	5.40	5.60	6.50	10.20	11.50
Stark	4.30	5.90	6.70	6.60	6.40	5.70	5.90	6.70	11.30	10.70

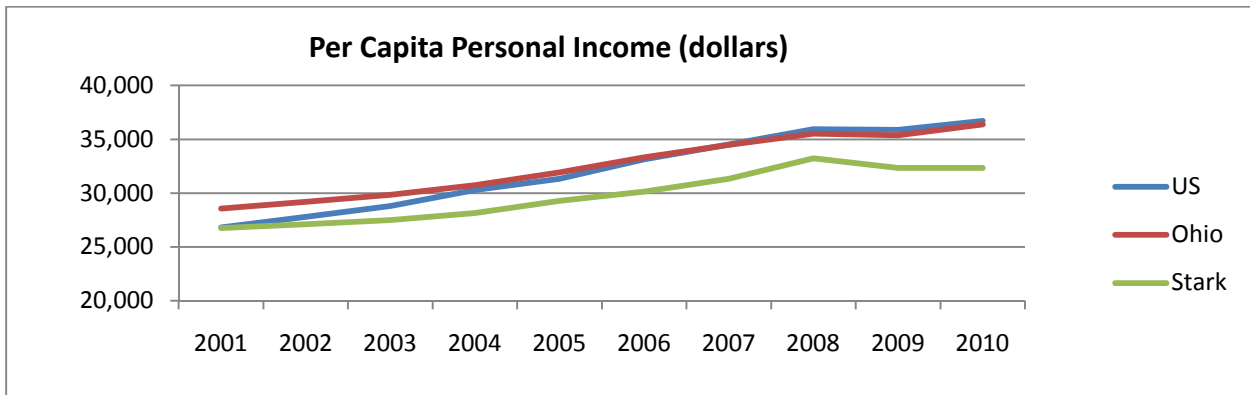
Source: Google Public Data

Link: <http://google.com/publicdata>



Source: Ohio Workforce Informer

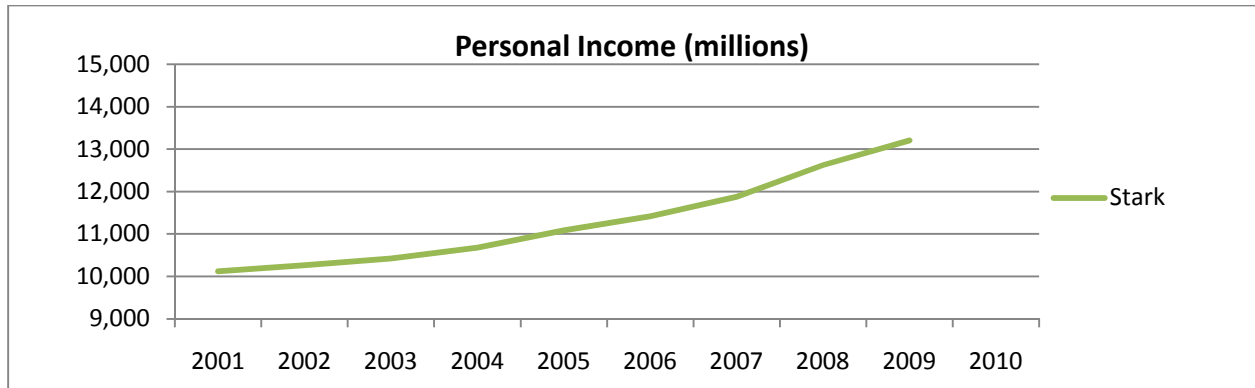
Link: <http://ohioworkforceinformer.org>



	Per Capita Personal Income (dollars)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US	30,574	30,821	31,504	33,123	34,757	36,714	38,611	39,751	39,212	36,697
Ohio	28,581	29,186	29,831	30,744	31,939	33,320	34,468	35,511	35,381	36,395
Stark	26,751	27,100	27,486	28,137	29,271	30,150	31,331	33,221	32,356	#NA

Source: Bureau of Economic Analysis, US Department of Commerce

Link: www.bea.gov



	Personal Income (millions)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US	8,746,992	8,872,871	9,150,320	9,711,363	10,284,356	10,968,393	11,645,882	12,233,500	12,097,700	12,701,052
Ohio	325,623	333,158	341,146	352,103	366,017	381,963	399,897	407,874	407,874	425,614
Stark	10,123	10,265	10,424	10,675	11,088	11,414	11,876	12,627	13,201	#NA

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

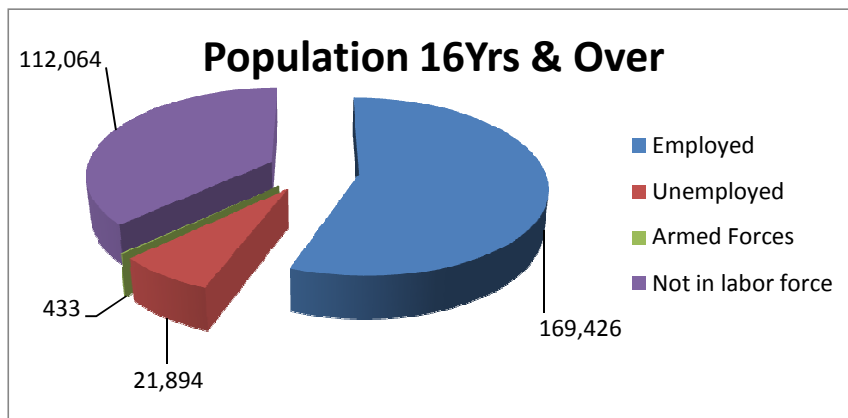
STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY DEMOGRAPHICS

2010 Community Survey

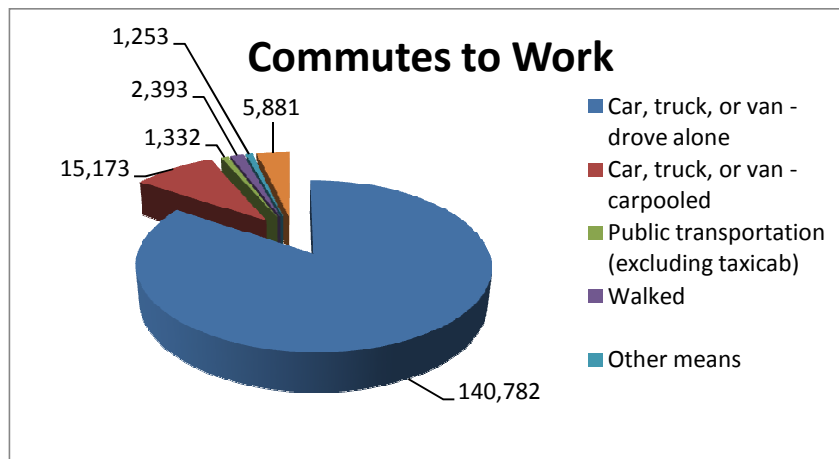
US Census Bureau / American Fact Finder

	Number	Percent
Population 16 Years and Over		
Employed	169,426	55.77%
Unemployed	21,894	7.21%
Armed Forces	433	0.14%
Not in labor force	112,064	36.89%



Commuting to Work

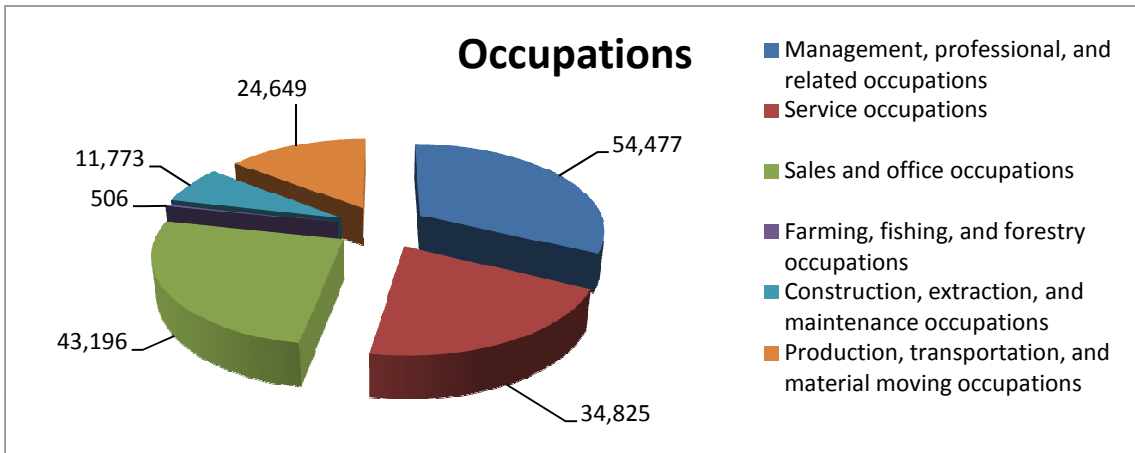
Workers 16 years and over	Number	Percent
Car, truck, or van - drove alone	140,782	84.39%
Car, truck, or van - carpoled	15,173	9.10%
Public transportation (excluding taxicab)	1,332	0.80%
Walked	2,393	1.43%
Other means	1,253	0.75%
Worked at home	5,881	3.53%
Mean travel time to work (minutes)	20.5	



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
 2010 Community Survey

DEMOGRAPHICS (CONT'D)

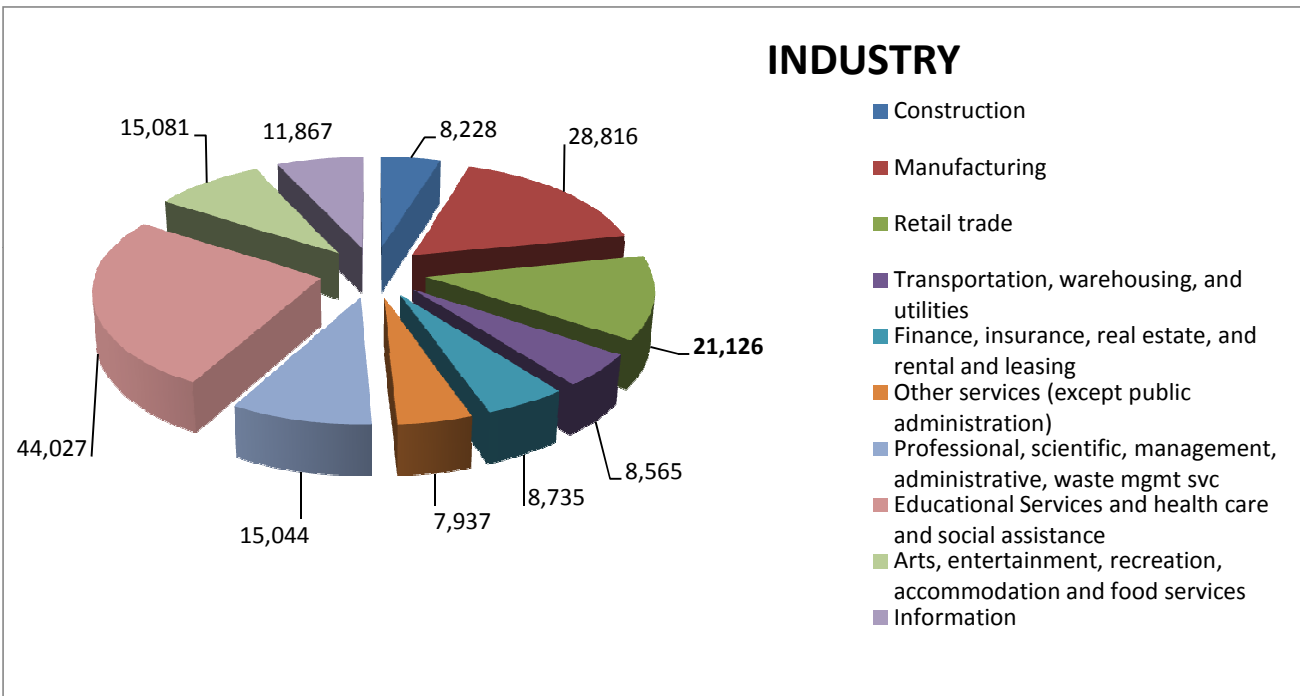
Employed Civilian Population 16 Years and Over	169,426	100%
Occupation		
Management, professional, and related occupations	54,477	32.15%
Service occupations	34,825	20.55%
Sales and office occupations	43,196	25.50%
Farming, fishing, and forestry occupations	506	0.30%
Construction, extraction, and maintenance occupations	11,773	6.95%
Production, transportation, and material moving occupations	24,649	14.55%



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

DEMOGRAPHICS (CONT'D)

Industry	169,426	100%
Construction	8,228	4.86%
Manufacturing	28,816	17.01%
Retail trade	21,126	12.47%
Transportation, warehousing, and utilities	8,565	5.06%
Finance, insurance, real estate, and rental and leasing	8,735	5.16%
Other services (except public administration)	7,937	4.68%
Professional, scientific, management, administrative, waste mgmt svc	15,044	8.88%
Educational Services and health care and social assistance	44,027	25.99%
Arts, entertainment, recreation, accommodation and food services	15,081	8.90%
Information	11,867	7.00%

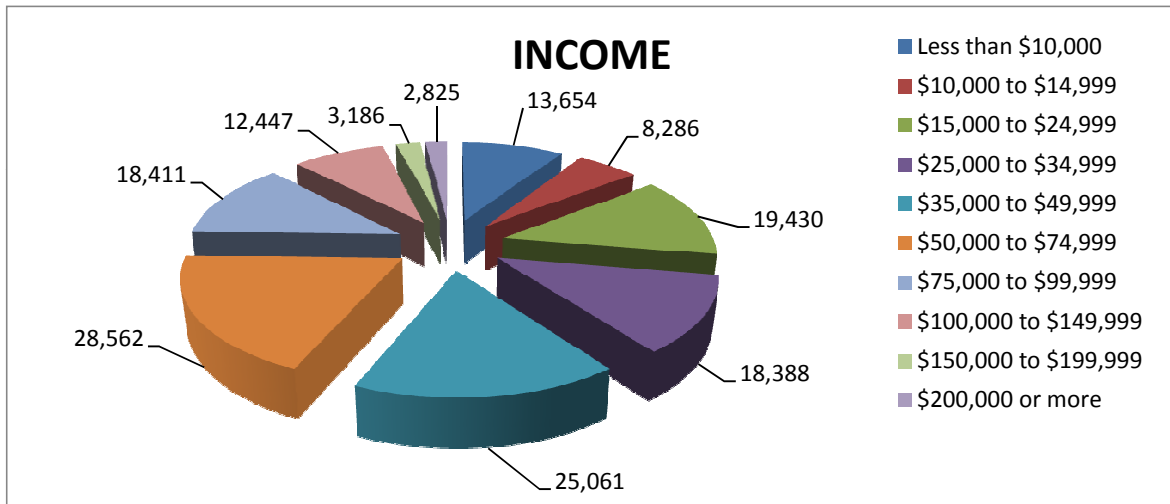


STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
2010 Community Survey

DEMOGRAPHICS (CONT'D)

Income

Households	150,250	100%
Less than \$10,000	13,654	9.09%
\$10,000 to \$14,999	8,286	5.51%
\$15,000 to \$24,999	19,430	12.93%
\$25,000 to \$34,999	18,388	12.24%
\$35,000 to \$49,999	25,061	16.68%
\$50,000 to \$74,999	28,562	19.01%
\$75,000 to \$99,999	18,411	12.25%
\$100,000 to \$149,999	12,447	8.28%
\$150,000 to \$199,999	3,186	2.12%
\$200,000 or more	2,825	1.88%
Median household income (dollars)	44,362	





Dave Yost • Auditor of State

STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 1, 2011**