# *STARK AREA REGIONAL TRANSIT AUTHORITY*

*Single Audit Report*
*for the Year Ended*
*December 31, 1999*

**STATE OF OHIO**
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have reviewed the Independent Auditor's Report of the Stark Area Regional Transit Authority, Stark County, prepared by Deloitte & Touche LLP, for the audit period January 1, 1999 to December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

November 27, 2000

OMB No. 0348-0057

# STARK AREA REGIONAL TRANSIT AUTHORITY

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Deloitte & Touche

## INDEPENDENT AUDITORS' REPORT

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the accompanying balance sheets of the Stark Area Regional Transit Authority (the "Authority") as of December 31, 1999 and 1998, and the related statements of revenues and expenses, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of expenditures of federal awards for the year ended December 31, 1999 is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the Authority's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2000, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

May 12, 2000

# STARK AREA REGIONAL TRANSIT AUTHORITY

## BALANCE SHEETS
## DECEMBER 31, 1999 AND 1998

| ASSETS | 1999 | 1998 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (Note 2) | $ 3,066,521 | $ 3,566,224 |
| Receivables: | | |
| Trade | 89,991 | 81,268 |
| State capital grant | 11,533 | 323,709 |
| Federal capital grant | 92,406 | 1,852,914 |
| Sales tax (Note 3) | 1,754,887 | 1,606,469 |
| Materials and supplies inventory | 351,365 | 234,336 |
| Prepaid expenses and other assets | 1,132,696 | 874,391 |
| Total current assets | 6,499,399 | 8,539,311 |
| PROPERTY, FACILITIES AND EQUIPMENT: | | |
| Land | 139,299 | 139,299 |
| Buildings and improvements | 4,630,558 | 4,630,558 |
| Transportation equipment | 10,407,223 | 10,321,885 |
| Other equipment | 2,071,286 | 2,034,117 |
| Construction in progress | 2,089,060 | 271,188 |
| Total | 19,337,426 | 17,397,047 |
| Less accumulated depreciation | 8,505,615 | 7,804,474 |
| Property, facilities and equipment - net | 10,831,811 | 9,592,573 |
| TOTAL ASSETS | $ 17,331,210 | $ 18,131,884 |

| LIABILITIES AND EQUITY | | |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 112,582 | $ 2,608,641 |
| Accrued payroll | 509,116 | 335,064 |
| Accrued payroll taxes | 254,548 | 552,297 |
| Other | 15,165 | 38,481 |
| Total current liabilities | 891,411 | 3,534,483 |
| EQUITY: | | |
| Capital grants (Note 1): | | |
| Federal | 8,558,136 | 7,596,201 |
| State | 1,317,511 | 954,262 |
| Local | 123,282 | 123,282 |
| Total | 9,998,929 | 8,673,745 |
| Other contributed capital | 217,429 | 217,429 |
| Retained earnings | 6,223,441 | 5,706,227 |
| Total equity | 16,439,799 | 14,597,401 |
| TOTAL LIABILITIES AND EQUITY | $ 17,331,210 | $ 18,131,884 |

See notes to financial statements.

# STARK AREA REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF REVENUES AND EXPENSES
## FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

| | 1999 | 1998 |
|---|---|---|
| OPERATING REVENUES: | | |
| Passenger fares | $ 795,206 | $ 566,818 |
| Special transit fares | 135,456 | 127,348 |
| Auxiliary transportation revenue | 36,813 | 10,491 |
| Total operating revenues | 967,475 | 704,657 |
| OPERATING EXPENSES: | | |
| Labor | 5,646,888 | 4,550,270 |
| Fringe benefits (Note 4) | 3,005,366 | 2,297,587 |
| Materials and supplies | 1,272,725 | 1,053,744 |
| Services | 244,236 | 371,691 |
| Utilities | 136,146 | 144,840 |
| Casualty and liability | 61,181 | 195,315 |
| Leases and rentals | 37,433 | 15,153 |
| Miscellaneous | 384,288 | 283,928 |
| Total operating expenses excluding depreciation | 10,788,263 | 8,912,528 |
| OPERATING LOSS BEFORE DEPRECIATION EXPENSE | (9,820,788) | (8,207,871) |
| DEPRECIATION EXPENSE (Note 1): | | |
| On assets acquired with capital grants | 1,090,867 | 941,658 |
| On other assets | 109,304 | 89,046 |
| Total depreciation expense | 1,200,171 | 1,030,704 |
| OPERATING LOSS | (11,020,959) | (9,238,575) |
| NONOPERATING REVENUES (EXPENSES): | | |
| Sales tax revenues (Note 3) | 9,876,829 | 9,071,557 |
| Property tax revenues | | 87,455 |
| State operating grants, reimbursements and special fare assistance (Note 6) | 355,426 | 674,756 |
| Interest income | 166,252 | 159,496 |
| Nontransportation revenues | 48,799 | 44,084 |
| Total nonoperating revenue - net | 10,447,306 | 10,037,348 |
| NET INCOME (LOSS) | $ (573,653) | $ 798,773 |

See notes to financial statements.

## STARK AREA REGIONAL TRANSIT AUTHORITY

### STATEMENTS OF CHANGES IN EQUITY
### FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

| | Capital Grants | | | Other Contributed | Retained | |
|---|---|---|---|---|---|---|
| | Federal | State | Local | Capital | Earnings | Total |
| BALANCES, JANUARY 1, 1998 | $ 5,565,029 | $ 812,521 | $ 123,282 | $ 217,429 | $ 3,965,796 | $ 10,684,057 |
| CAPITAL GRANTS RECOGNIZED | 2,845,750 | 268,821 | | | | 3,114,571 |
| NET INCOME FOR 1998 | | | | | 798,773 | 798,773 |
| DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS | (814,578) | (127,080) | | | 941,658 | |
| BALANCES, DECEMBER 31, 1998 | 7,596,201 | 954,262 | 123,282 | 217,429 | 5,706,227 | 14,597,401 |
| CAPITAL GRANTS RECOGNIZED | 1,898,820 | 517,231 | | | | 2,416,051 |
| NET LOSS FOR 1999 | | | | | (573,653) | (573,653) |
| DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CAPITAL GRANTS | (936,885) | (153,982) | | | 1,090,867 | |
| BALANCES, DECEMBER 31, 1999 | $ 8,558,136 | $ 1,317,511 | $ 123,282 | $ 217,429 | $ 6,223,441 | $ 16,439,799 |

See notes to financial statements.

# STARK AREA REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

| | 1999 | 1998 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | $ 958,752 | $ 648,674 |
| Cash payments to suppliers for goods and services | (8,333,833) | (3,943,000) |
| Cash payments to employees for services | (5,472,836) | (4,405,173) |
| Net cash used in operating activities | (12,847,917) | (7,699,499) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Sales taxes received | 9,728,411 | 8,973,040 |
| Property taxes received | | 87,455 |
| Operating grants received | 355,426 | 836,297 |
| Other | 48,799 | 41,238 |
| Net cash provided by noncapital financing activities | 10,132,636 | 9,938,030 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital grants received: | | |
| Federal | 3,659,328 | 926,023 |
| State | 829,407 | 33,943 |
| Acquisition of fixed assets | (2,439,414) | (1,223,610) |
| Proceeds from sale of fixed assets | 5 | 4,125 |
| Net cash provided by (used in) capital and related financing activities | 2,049,326 | (259,519) |
| CASH FLOWS FROM INVESTING ACTIVITIES - | | |
| Interest received from investments | 166,252 | 159,496 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (499,703) | 2,138,508 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 3,566,224 | 1,427,716 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 3,066,521 | $ 3,566,224 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | $ (11,020,959) | $ (9,238,575) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 1,200,171 | 1,030,704 |
| Change in assets and liabilities: | | |
| Accounts receivable - trade | (8,723) | (55,983) |
| Materials and supplies inventory | (117,029) | (84,494) |
| Prepaid expenses and other assets | (258,305) | (62,142) |
| Accounts payable | (2,496,059) | 147,174 |
| Accrued payroll | 174,052 | 145,097 |
| Accrued payroll taxes | (297,749) | 408,136 |
| Other current liabilities | (23,316) | 10,584 |
| NET CASH USED IN OPERATING ACTIVITIES | $ (12,847,917) | $ (7,699,499) |

See notes to financial statements.

## 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The Authority is managed by a nine-member Board of Trustees and provides virtually all mass transportation within the Stark County area. Approximately 83% of the Authority's employees at December 31, 1999 are subject to a collective bargaining agreement expiring on January 5, 2001.

The Authority's property tax levies expired in 1996. On May 6, 1997, the voters of Stark County approved a .25% sales tax levy to fund the Authority's operations. As a result, the Authority expanded its services county-wide during 1998.

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

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

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

In accordance with Statement No. 20 of the Governmental Accounting Standards Board, "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 Governmental Accounting Standards Board.

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

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

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

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

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

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

| Description | Years |
|---|---|
| Buildings | 40 |
| Transportation equipment | 10 |
| Other equipment | 4-8 |

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

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

Sales tax revenues are recognized when collected by the State of Ohio.

The Federal Transit Administration ("FTA") and the Ohio Department of Transportation ("ODOT") provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement period. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables and credited to contributed capital when the related qualified expenditures are incurred. Capital grant funds received in advance of project costs being incurred are deferred.

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

## 2. CASH AND CASH EQUIVALENTS

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

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

***Deposits -*** The carrying amount of the Authority's deposits was an overdraft of $509,721 at December 31, 1999 with a $72,636 bank balance. All deposits were covered by federal depository insurance at December 31, 1999.

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

Category 1 — Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

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

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

| | Risk Category 1 | Risk Category 2 | Risk Category 3 | Carrying/Market Value |
|---|---|---|---|---|
| STAROhio | | | | $2,411,500 |
| Repurchase agreements | | | $1,164,742 | 1,164,742 |
| Total investments | | | $1,164,742 | $3,576,242 |

## 3. TAX REVENUES

On May 6, 1997, the voters of Stark County approved a .25% sales tax levy that expires in June 2002. Revenue can be used for operating or capital purposes. The Authority receives cash from sales tax levies when the related sales tax collections are distributed by the State of Ohio. These distributions are generally received 45 days following the month for which the sales tax is levied.

## 4. RETIREMENT BENEFITS

### Public Employees Retirement System of Ohio

***Plan Description*** **-** Effective July 1, 1991, all employees of the Authority are required to be members of the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing, multiple-employer pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

***Funding Policy*** **-** The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5% of their covered payroll to PERS (for union employees the Authority has contracted to fund the 8.5% employee contribution requirement). The current employer contribution rate for local government employer units was 13.55% of covered payroll, including 4.2% that is used to fund postretirement healthcare benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 1999, 1998 and 1997 were $979,160, $847,536 and $364,015, respectively.

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

A portion of each employer's contribution to PERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The portion of the employer contribution rate used to fund healthcare for both 1999 and 1998 was 4.2% of covered payroll in each year. During 1999 and 1998, $264,228 and $229,043, respectively, of the Authority's total contribution to PERS was used for postretirement benefits. At December 31, 1999, the Authority was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

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

Total PERS expenditures for OPEB during 1999 were $524 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were $9.9 billion. The number of PERS benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

## 5. CONTINGENCIES AND COMMITMENTS

***Federal and State Grants* -** Under the terms of various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 1999, there were no significant questioned costs that had not been resolved with the applicable federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

***Commitments* -** The Authority has outstanding commitments to purchase revenue vehicles at December 31, 1999 of approximately $2,870,000. The Authority also has a commitment to fund capital improvements totaling approximately $298,200 (approximately $273,000 of which will be funded by federal and state grants) at December 31, 1999.

## 6. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

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

| | 1999 | 1998 |
|---|---|---|
| STATE: | | |
| ODOT Operating Assistance | $ 118,289 | $ 474,963 |
| ODOT Elderly Fare Assistance | 58,524 | 59,805 |
| ODOT Fuel Tax Reimbursement | 178,613 | 139,988 |
| Total | $ 355,426 | $ 674,756 |

## 7. RISK MANAGEMENT

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

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

## 8. NEW ACCOUNTING STANDARDS

The Government Accounting Standards Board has issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. These statements establish accounting standards for nonexchange transactions such as grants and other assistance provided to the Authority by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units. Statement No. 33 is effective for the Authority's year ending December 31, 2001 and Statement No. 34 is effective for the year ending December 31, 2003. The Authority has not completed an analysis of the impact of these two statements on its reported financial condition and results of operations.

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# STARK AREA REGIONAL TRANSIT AUTHORITY

## SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
## FOR THE YEAR ENDED DECEMBER 31, 1999

| Federal Grantor/Program Title | Federal CFDA Number | Federal Grant Number | Grant Expenditures |
|---|---|---|---|
| **U.S. DEPARTMENT OF TRANSPORTATION** | | | |
| **FEDERAL TRANSIT CLUSTER** | | | |
| Direct Program: | | | |
| Federal Transit Administration - Capital and Operating Assistance Formula Grants | 20.507 | OH-90-0326 | $ 607,386 |
| | | OH-90-0211 | 3,609 |
| | | OH-90-0234 | 18,386 |
| | | OH-90-0298 | 48,302 |
| | | | 677,683 |
| Passed-through Ohio Department of Transportation: | | | |
| Federal Transit Administration - Capital Improvements Grants | 20.500 | OH-03-0169 | 1,221,137 |
| Total Expenditures of Federal Awards | | | $ 1,898,820 |

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

# STARK AREA REGIONAL TRANSIT AUTHORITY

## NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 1999

### 1. BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Stark Area Regional Transit Authority under programs financed by the U.S. Government for the year ended December 31, 1999. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, using the accrual basis of accounting in accordance with generally accepted accounting principles.

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

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

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Deloitte & Touche

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

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

We have audited the financial statements of the Stark Area Regional Transit Authority (the "Authority") as of and for the year ended December 31, 1999, and have issued our report thereon dated May 12, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Compliance

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

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated May 12, 2000.

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

Deloitte & Touche LLP

May 12, 2000

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Deloitte & Touche

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

Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

### Compliance

We have audited the financial statements of the Stark Area Regional Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 1999. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999.

### Internal Control Over Compliance

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

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

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Deloitte & Touche LLP

May 12, 2000

# STARK AREA REGIONAL TRANSIT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
## YEAR ENDED DECEMBER 31, 1999

**SUMMARY OF AUDITORS' RESULTS**

- Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 1999 - Unqualified.
- Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements - N/A. (None reported).
- Noncompliance Noted that is Material to the Financial Statements of the Authority - None.
- Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - N/A (None reported).
- Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.
- The audit did not disclose any audit findings, which are required to be reported under Section 501(a) of OMB Circular A-133.
- Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 1999:
    - Federal Transit Cluster
        - CFDA #20.507 Federal Transit Administration - Capital and Operating Assistance Formula Grants
        - CFDA #20.500 Federal Transit Administration - Capital Improvement Grants
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - $300,000.
- The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

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

None

**Findings and Questioned Costs Relating to Federal Awards**

None

# STARK AREA REGIONAL TRANSIT AUTHORITY

## STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE FOR THE YEAR ENDED DECEMBER 31, 1999

No significant or material findings or recommendations were included in the prior year reports.

**STATE OF OHIO**
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**STARK AREA REGIONAL TRANSIT AUTHORITY**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**DECEMBER 7, 2000**