

# **Stark Area Regional Transit Authority**

**Single Audit Reports  
For the Year Ended December 31, 2015**

# Stark Area Regional Transit Authority

For the Year Ended December 31, 2015

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

Board of Trustees  
Stark Area Regional Transit Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Stark Area Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2016, wherein we noted that the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension- an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and as a result restated their December 31, 2014 net position of the business-type activities, as disclosed in Note 2 to the basic financial statements.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness (Finding No. 2015-001).

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

### **The Authority's Response to Findings**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
June 29, 2016

**Independent Auditor's Report on Compliance for Each Major Program; Internal Control  
over Compliance Required by the Uniform Guidance; and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance.**

Board of Trustees  
Stark Area Regional Transit Authority

**Report on Compliance for Each Major Federal Program**

We have audited the Stark Area Regional Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended December 31, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **Report on Internal Control over Compliance**

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

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

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities of the Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 29, 2016, which contained an unmodified opinion on those financial statements, wherein we noted that the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension- an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and

Board of Trustees  
Stark Area Regional Transit Authority

as a result restated their December 31, 2014 net position of the business-type activities, as disclosed in Note 2 to the basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Cimini + Panichi, Inc.*

Cleveland, Ohio  
June 29, 2016

# Stark Area Regional Transit Authority

## Schedule of Expenditures of Federal Awards

**For the Year Ended December 31, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation:			
Federal Transit Cluster:			
Federal Transit Administration Capital and Operating Assistance Formula Grants	20.507	OH-04-0069	\$ 66,415
	20.507	OH-04-0084	4,223
	20.507	OH-16-X013	292,589
	20.507	OH-26-0008	7,416
	20.507	OH-34-0006	115,041
	20.507	OH-90-0818	1,983,019
	20.507	OH-90-X714	32,716
	20.507	OH-90-X764	509,380
	20.507	OH-95-0101	63,895
	20.507	OH-95-0184	158,900
	20.507	OH-95-X172	276,553
	20.507	OH-95-0200	<u>1,407,945</u>
Total Federal Transit Cluster			4,918,092
Public Transportation, Research, Technical Assistance, and Training:			
Passed-Through CALSTART, Inc.			
Ohio American Fuel Cell Bus Project	20.514	CA-04-7009	1,212,540
Upper Ohio Large Fleet Integration Demonstration project	20.514	CA-04-7004-01	<u>682,251</u>
Total Public Transportation, Research, Technical Assistance, and Training			1,894,791
Transit Services Programs Cluster:			
Job Access and Reverse Commute Program	20.516	OH-37-6094	5,056
New Freedom Program	20.521	OH-57-6054	<u>11,670</u>
Total Transit Services Programs Cluster			<u>16,726</u>
Total U.S. Department of Transportation			\$ <u><u>6,829,609</u></u>

The accompanying notes are an integral part of this schedule.

# **Stark Area Regional Transit Authority**

## **Notes to the Schedule of Expenditures of Federal Awards**

### **For the Year Ended December 31, 2015**

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#### **Note 1: Summary of Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (“Schedule”) reflects the expenditures of the Stark Area Regional Transit Authority (the “Authority”) under programs financed by the U.S. government for the year ended December 31, 2015. The Schedule has been prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include all grants, contracts, loans, and loan guarantee agreements entered into directly and indirectly (passed-through) between the Authority and agencies and departments of the federal government.

During 2015, the Authority provided \$5,056 and \$11,670 of job access and reverse commute and new freedom program grant funds, respectively, to a sub-recipient.

#### **Note 2: Indirect Cost Rate**

No indirect costs were charged to federal grants; therefore, no indirect cost rate was established.

# Stark Area Regional Transit Authority

## Schedule of Findings and Questioned Costs

**For the Year Ended December 31, 2015**

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### 1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unmodified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	<p><b>Federal Transit Cluster:</b>            Federal Transit Administration Capital and Operating Assistance Formula Grants            - CFDA # 20.507</p> <p><b>Public Transportation, Research, Technical Assistance, and Training</b>            - CFDA # 20.514</p>
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$ 750,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

# Stark Area Regional Transit Authority

## Schedule of Findings and Questioned Costs

**For the Year Ended December 31, 2015**

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### 2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

#### 2015-001 – Material Weakness in internal control over financial reporting:

**Condition:**

We noted the Authority improperly excluded accounts payable and accrual balances resulting from improper cutoff procedures which resulted in material adjustments made to these liabilities and the related expense accounts. Additionally, timely reconciliations were not performed from the general ledger to the schedule of expenditures of federal awards resulting in an unreconciled difference at year-end.

**Criteria:**

The internal control structure and processes should provide for the accurate cutoff procedures at year-end and timely reconciliations of the schedule of expenditures of federal awards.

**Cause:**

Controls were not in place to ensure compliance with the Authority's cutoff and reconciliation procedures.

**Effect:**

The lack of controls over the cutoff procedures relating to liabilities and timely reconciliation of expenses to be reported on the schedule of expenditures of federal awards may go undetected and decrease the reliability of financial data throughout the year.

**Recommendation:**

We recommend the Authority adopt procedures for controls over the year-end cutoff and reconciliation procedures to help ensure the information accurately reflects the policies of the Authority thereby increasing the reliability of the financial data at year-end.

**Management's Response:**

The Authority is taking the necessary steps to ensure proper cutoff procedures and timely reconciliations of general ledger balances.

### 3. Findings for Federal Audits

None noted.