

Stark Area Regional Transit Authority Comprehensive Annual Financial Report for the years ended December 31, 2017 and 2016



1600 Gateway Blvd. SE
Canton, Ohio 44707

2017
Stark Area Regional Transit Authority
Stark County
Canton, Ohio



Comprehensive Annual Financial Report
For Fiscal Years Ended December 31, 2017 and 2016

Charles DeGraff
President
Board of Trustees

Kirt W. Conrad
CEO
SARTA

Prepared by Finance Division
Carrie Domer, Director of Finance

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Stark Area Regional Transit Authority Canton, Ohio

Comprehensive Annual Financial Report For the Fiscal Years Ended December 31, 2017 and 2016

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Introductory Section 2017

The Introductory Section includes:

Authority's transmittal letter

Certificate of Achievement for Excellence in Financial Reporting

Award of Financial Reporting Achievement

Board of Trustees and Management

Organizational Chart



STARK AREA REGIONAL TRANSIT AUTHORITY

1600 Gateway Blvd. SE, Canton, Ohio 44707

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SARTAonline.com

June 27, 2018

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, 2017.

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.

This report is presented in three sections:

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

The **FINANCIAL SECTION** contains the Independent Auditor's Report, comparative basic financial statements and the notes to financial statements. The notes to 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 ("SARTA" or the "Authority") for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. This was the Authority's fourteenth 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 CAFR adhering to the highest standards in government accounting and financial reporting. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

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 the year ended December 31, 2017.

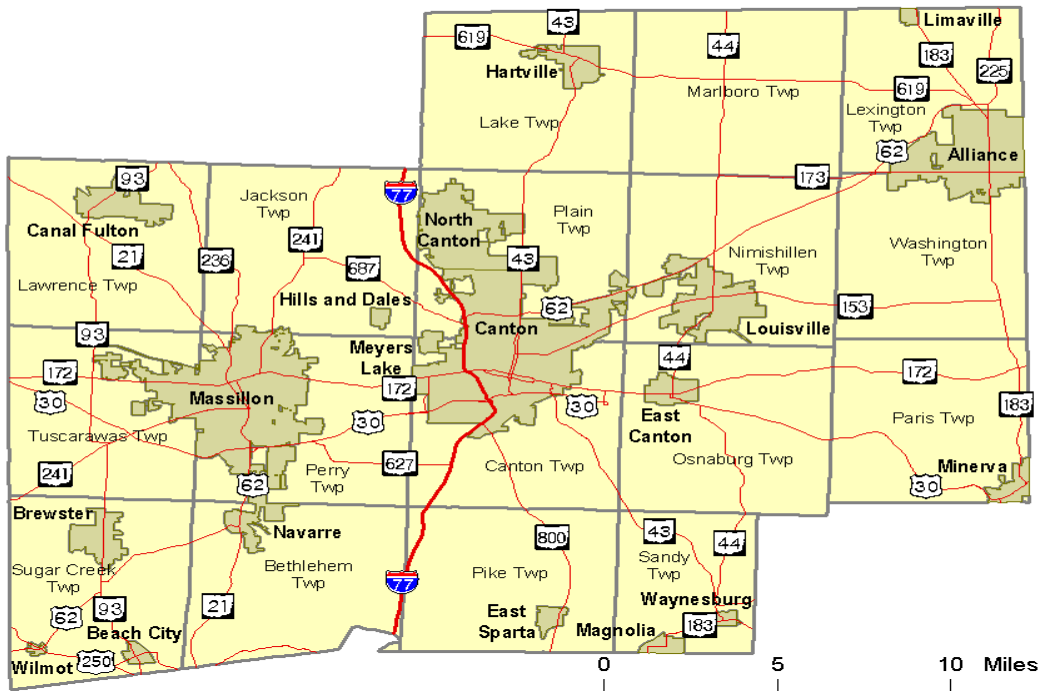
Stark County, Ohio



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.



LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

Reporting Entity Profile

General

SARTA services an area of 576.2 square miles and a population base of 372,542, 2017 Census estimate, was created in 1997 with the passage of Issue 2. SARTA is a state subdivision, enjoying all the rights and privileges accorded political subdivisions. SARTA was created pursuant to Section 306.30 through 306.711 of the Ohio Revised Code for the purpose of providing public transportation in the Stark County, Ohio area.

As the public transit authority for Stark County, SARTA offers a variety of services to meet transit needs within the community. SARTA provided over 2.4 million rides in Stark County during 2017 through Fixed Route, Proline and Medline 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. Our goal is to ensure that Stark County residents, including disabled individuals, seniors, veterans, employees and students, have access to a quality transportation system that is both reliable and affordable.

Mission Statement

The purpose of SARTA is to provide safe, responsive, and efficient transportation for all citizens of the greater Stark County area.

Management - Board of Trustees

The nine member Board of Trustees are appointed by the Stark County Commissioners, Mayor of Alliance, Mayor of Canton, Mayor of Massillon and Stark Council of Government (SCOG). Board membership is appropriated as follows: City of Alliance, 1 member; City of Canton, 3 members; City of Massillon, 1 member; SCOG, 2 members; Stark County Commissioners, 2 members.

The Board of Trustees supervise the operations of the agency and sets policies for the day-to-day operations. They approve the annual budget, hire the Executive Director, and authorize the sales tax levy to be submitted to the voters every five years, which provides for approximately 66 percent 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

Administration

The Authority’s CEO, appointed by the Board, directs the Authority’s administration, subject to the policies, procedures and supervision from the Board. An organizational chart that shows the key functional responsibilities is shown on page 17 of the introductory section.

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

Operations and Funding

On May 3, 2011, the voters of Stark County renewed the .25 percent sales tax levy until June of 2017. Stark County voters renewed the .25 percent sales tax levy in November of 2016 until June of 2027.

Facilities

Gateway – Main administration, garage and maintenance facility, 1600 Gateway Blvd. SE. The 96,000 square feet garage houses 50 Fixed buses, 52 Paratransit buses, 1 Trolley bus and 16 Support vehicles, 9 maintenance bays, 1 chassis bus wash, 1 alignment lift and full paint booth.

Canton Cornerstone Transit Station – Renovated in 2010, Cornerstone is SARTA’s downtown Canton intermodal facility located at 112 Cherry Ave. SE. Services include ticket sales, customer information, and passenger amenities. The facility also includes Barons Bus charter, a contractor for Greyhound, rental and tour service. Cornerstone provides connections to Greater Cleveland Regional Transit Authority and Akron METRO Regional Transit Authority.

Belden Village Transit Station – Belden Village Station, 4700 Whipple Ave. NW, was opened in 2012. Services include ticket sales, customer information, passenger amenities and also provides connection to Greater Cleveland Regional Transit Authority and Akron METRO Regional Transit Authority.

Massillon Transit Station – Renovated in 2011, Massillon Station, 41 S. Erie St. Services include ticket sales, customer information, passenger amenities and also provides connection to Greater Cleveland Regional Transit Authority and Akron METRO Regional Transit Authority.

Phyllis Beyers Alliance Transit Station – Built in 2008, located at 10 Prospect St. Services include ticket sales, customer information, passenger amenities and also provides connection to Greater Cleveland Regional Transit Authority and Akron METRO Regional Transit Authority.

Services

SARTA offers fixed route and demand response service in Stark County to provide reliable service to as many as possible in Stark County. These fixed routes operate over 20 hours and over 7,500 miles each day, Monday through Saturday. SARTA also operates express routes to Cleveland and Akron.

Ridership - In 2017, SARTA provided over 2,423,518 rides between Fixed Routes, Proline and Medline services. A decrease of 89,177 rides or 3.55 percent from 2016. We mostly attribute the decrease due to falling gas prices. In 2016, SARTA provided 2,512,635 rides.

Fixed Route Service - 50 fixed route buses operating over 20 hours a day from just before 5:30 am and finishing after 1:30 am, Monday through Saturday. The Fixed Route fleet covers an average of 7,100 miles a day with service covering Alliance, Akron, Canton, Cleveland, Hartville, Jackson Township, Louisville, Massillon, North Canton and Uniontown. 79 percent of Stark County’s population lives within a ½ mile of SARTA’s fixed routes.

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

Proline Services – 52 Proline buses with service available countywide for customers who meet Americans with Disabilities Act (ADA) requirements. Proline operates over 20 hours a day from just before 5:30 am and finishing after 1:30 am, Monday through Saturday. In 2017 Proline services ran a total of 162,339 trips.

Medline Service - A free non-medical transportation service available for those with I/O and Level One Medicaid Waivers. Similar to Proline, it allows clients to use SARTA to make up to two non-medical transportation trips per day (up to 240 days) to Employment (including trips to Stark Developmental Disabilities Workshops and other private day services), Adult Day Support and Vocational Training.

GoLine – provides an easy way for SARTA's Proline passengers, who have ADA disabilities and require origin to destination transportation, to schedule, change or cancel trips and receive reminders about upcoming Proline trips.

Pinpoint – SARTA began its advanced communications project. Pinpoint is a real-time GPS system for our Fixed Routes. Pinpoint enables riders to track buses, view schedules, plan trips in real time. This project allows passengers to receive a phone call when their bus is coming, schedule on line, or via phone.

Veterans Services – SARTA's Route 4 offers free transportation for our Veterans - through the Veterans' Service Commission (VSC) to Wade Park Hospital for medical appointments, Demand Response Services for employment trips, Proline and Travel Training.

Local Economy

Stark County is located in the northeastern section of Ohio and is the 7th largest county in Ohio. Stark County is located in the Canton-Massillon metro area, crossroads of the Eastern and Midwestern U.S. markets. Stark County includes 17 townships and 19 municipalities (13 villages and 6 cities, the largest of which is the City of Canton, the County Seat, and the eighth largest city in the State). Strategically located in proximity to all modes of transportation including truck, railroad, and air. 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. Stark County is known primarily for manufacturing. Business is moving forward into the new economy with a focus on companies in advanced manufacturing and new emerging technologies such as Fuel Cells, Wind Energy and Oil Shale exploration and development. In addition, the number and variety of national and international companies, such as Timken and Diebold, with facilities in Stark County, is also a testimony to the growing strength of the area's business environment.

The Stark County unemployment rate for 2017 was 5.0 percent ¹ compared with State of Ohio's 4.9 percent and the national average of 4.1 percent. ²

¹ <https://www.bls.gov/regions/midwest/> (US Dept. of Labor: Bureau of Labor Statistics)

² <https://www.bls.gov/regions/midwest/> (US Dept. of Labor: Bureau of Labor Statistics)

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

County Government

The Board of Stark County Commissioners is a body of three elected Commissioners. Commissioners are elected for four-year terms. Commissioners cannot act independently, but formal and official actions must be taken by a majority vote of the Board.

Commissioners are county governments' taxing, budgeting, appropriating, and purchasing authority, and hold title to all county property. The Board negotiates contracts, bargains with labor organizations, enacts policies to deliver public services, and oversees the specific County departments that serve under their authority. Commissioners other responsibilities include hearing and ruling on annexations, approving drainage improvements, establishing water and sewer districts, and providing for solid waste disposal.

The largest city of Stark County is the City of Canton, which has an elected mayor and City Council. The mayor enforces all city laws, manages the operations of the city and recommends legislative actions to City Council. City Council both introduce and vote on certain aspects of the City's needs and how to procure financing.

Population

Population in SARTA's principal service area since 1970 has been as follows³:

| <u>YEAR</u> | <u>CANTON</u> | <u>STARK COUNTY</u> |
|-------------|---------------|---------------------|
| 1970 | 110,053 | 372,720 |
| 1980 | 93,077 | 378,823 |
| 1990 | 84,161 | 368,065 |
| 2000 | 80,806 | 378,097 |
| 2010 | 73,007 | 375,417 |
| 2011 | 72,795 | 375,087 |
| 2012 | 72,793 | 374,868 |
| 2013 | 72,535 | 375,895 |
| 2014 | 72,535 | 375,584 |
| 2015 | 72,297 | 375,165 |
| 2016 | 71,323 | 375,586 |
| 2017 | 70,909 | 372,542 |

³ <http://census.gov/quickfacts>

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

Employment

The following table shows comparative unemployment statistics for Stark County, the State of Ohio and the United States for the last five years⁴:

| <u>YEAR</u> | <u>STARK COUNTY</u> | <u>OHIO</u> | <u>U.S.</u> |
|-------------|---------------------|-------------|-------------|
| 2012 | 6.7 | 7.0 | 7.9 |
| 2013 | 6.9 | 6.6 | 6.7 |
| 2014 | 4.6 | 4.7 | 5.6 |
| 2015 | 5.1 | 4.6 | 5.0 |
| 2016 | 5.2 | 5.0 | 4.7 |
| 2017 | 5.0 | 4.9 | 4.1 |

Major Initiatives - 2017 in Review

Bike Smart Hub – SARTA joined with Stark County District Library bike sharing network to install a bike hub at Cornerstone Center. Bikes can be accessed free of charge for library cardholders. Non-cardholders can access for a per hour fee. Usage of bikes can be checked out up to eight hours.

Upgrade radio systems – SARTA installed new radios on all the bus fleet in 2017, focusing on consistent communication with buses by radio and GPS.

Hydrogen fueling station – SARTA completed the \$1.6 million facility refueling station that will allow the service of 10 Hydrogen buses by 2018.

Hydrogen Funding – SARTA was awarded over \$6.7 million dollars and another \$800 thousand in grants to purchase Hydrogen Fuel Buses. The collaborative partnership with Federal Transit Administration (FTA) and the Environmental Protection Agency (EPA) has allowed SARTA to purchase up to 5 fixed and 5 paratransit buses by 2019.

Service changes – SARTA continues to adjust service, focusing on Canton and the surrounding area during 2017. Two routes were revised to be more efficient for SARTA Belden Village customers.

Travel Training – This program to assist individuals to learn to ride and utilize the fixed route system was expanded to include Pinpoint and GoLine. There are now three full-time travel trainers. During 2017, travel trainers trained 1,008 individuals.

Midwest Hydrogen Center – SARTA acquired a 40' hydrogen bus from the University of Alabama to use as hydrogen touring classroom. This bus will be used to show students and future hydrogen users of the benefits to being environmentally good stewards. Grant research funding is being supplied for this project.

5310 Program – SARTA was designated recipient of Section 5310 program, which assist in the enhanced mobility for seniors and people with disabilities. Along with collaborating with Stark County Transportation

⁴ <https://www.bls.gov/regions/midwest/ohio> (US Dept. of Labor: Bureau of Labor Statistics)

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

Study (SCATS), SARTA has helped agencies and others interested in improving the coordination of transportation services among agencies and private providers requiring or providing transportation services.

Future Initiatives

Written public comment on the proposed Program of Projects was to be accepted by SARTA at the close of business on November 7th, 2017.

Comments received by the closing date were considered in preparing and carrying out the Program. A public hearing was scheduled for November 8, 2017 at 4:00 p.m. in the Executive Board Room at SARTA's headquarters located at 1600 Gateway Blvd SE in Canton.

The program became final and was submitted to the Federal Transit Administration (FTA) upon completion of the public participation process and agreed to by the Board of Trustees of SARTA.

PROPOSED
STARK AREA REGIONAL TRANSIT AUTHORITY
FISCAL YEAR 2017 PROGRAM OF PROJECTS
 Total Funds Estimated for 2018 Projects \$24,707,480

| Project | Total Budgeted Cost | Federal Share |
|--|----------------------------|----------------------|
| Transit Enhancements | \$78,489 | \$62,791 |
| Safety/Security | \$45,000 | \$36,000 |
| Mahoning Corridor | \$1,345,171 | \$1,345,171 |
| Operating Expense | \$1,600,000 | \$800,000 |
| ADA Operating Expenses | \$350,000 | \$280,000 |
| Mobility Management | \$279,281 | \$202,628 |
| 2018 (1) – 40' CNG Buses | \$485,693 | \$388,554 |
| 2016 CalStart Hydrogen Project Altoona | \$782,865 | \$782,865 |
| 2018-2019 (5) – 40' Hydrogen Buses | \$7,916,732 | \$7,262,928 |
| Alternative Fuels Data Collection/analysis | \$717,102 | \$717,102 |
| (8) < 30' Buses | \$2,106,023 | \$1,684,818 |
| Bus Equipment | \$41,406 | \$33,125 |
| IT Projects | \$338,008 | \$270,406 |
| Bus Radio Replacement Project | \$399,008 | \$319,999 |
| Preventive Maintenance | \$4,799,050 | \$3,839,240 |
| Fare Box Replacement Project | \$2,204,000 | \$1,763,200 |
| Power Project | \$625,000 | \$500,000 |
| 5310 Subgrantees | \$594,652 | \$594,652 |
| Project Totals | \$24,707,480 | \$20,883,479 |

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

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

The major proposed capital projects include:

- Operational Planning and implementation of the TDP
- Implement findings from the Enhanced Ridership/Marketing Study
- Revisions to Mahoning BRT Corridor due to funding issues
- Participation and assistance to the Stark County Mobility Coordination Committee
- Purchase new Transit and Paratransit Buses
 - 2017 - 4 (4 Paratransit buses)
 - 2018 - 0 (4 Paratransit buses)
 - 2019 - 5 (4 Paratransit buses, 5 Hydrogen Paratransit)
 - 2020 - 0 (8 Paratransit buses)
 - 2021 - 3 (8 Paratransit buses)
 - 2022 - 4 (8 Paratransit buses)
- Replaced radio system on transit buses both Fixed and Paratransit - completed 2017
- Continuing rehabilitation and improvement of SARTA facilities particularly in the area of safety
- Preventative maintenance on buses
- Continuing to study initiatives to increase meeting customer needs
- Upgrading operational and maintenance equipment - completed 2017
- Hydrogen bus and hydrogen station project - completed 2017

Management also intends to explore projects such as:

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

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

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 SARTA.

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

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. Additional information on SARTA's accounting policies can be found in Note No. 1 in the Notes to Financial Statements, located in the Financial Section and starting on page 32.

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 effective.

Budgetary Control

SARTA prepares its annual operating budget and capital budget on the accrual basis of accounting. The Director of Finance, CEO, and Administration prepares a preliminary budget of revenues, and allocates a proportional amount to each department. The Department Heads confer with the Director of Finance and prepare their budgets within that allocation. Adjustments are made, if necessary, to the budget for overall agency requirements. The final balanced budget is presented to the Board Finance Committee. The Board Finance Committee submits the budget to the Board of Trustees 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 of Trustees 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 of Trustee approval to completion and span more than one fiscal year.

Financial statements are prepared on an accrual basis, in accordance with accounting principles generally accepted in the United States of America (GAAP) and may be reviewed starting on page 29.

Please refer to The Management's Discussion and Analysis, Financial Section, for further financial detail and explanation.

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

Independent Audit

Dave Yost, Auditor of State, has issued an unmodified (“clean”) opinion on the Stark Area Regional Transit Authority’s (the Authority) financial statements for the year ended December 31, 2017. Refer to the Financial Section page 18 for auditor’s report.

The independent audit of the Authority’s financial statements was part of the broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic 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.

Acknowledgements

This report would not be possible without the hard work, high standards and dedication of the entire Finance Department staff. The 2017 CAFR prepared by Jesse Dent, conforms to the program requirements and management expectations for continued high levels of excellence in reporting the Authority’s financials in the future.

Sincerely,



Carrie Domer
Chief Financial Officer



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 (CAFR) for the fiscal year ended December 31, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of only one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



Government Finance Officers Association

**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, 2016

Christopher P. Morill

Executive Director/CEO



The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
Stark Area Regional Transit Authority, Ohio



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

Executive Director

Christopher P. Morrill

Date December 1, 2017



OHIO AUDITOR OF STATE
AWARD WITH DISTINCTION

Presented to

**Stark Area Regional Transit
Authority**

Carrie Domer, Chief Financial Officer

*This award is presented for excellence in financial reporting for your
Comprehensive Annual Financial Report
for the fiscal year ended 2016.*

*Your exemplary reporting serves as the standard for clean, accountable government,
representing the highest level of service to Ohioans.*



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

Dave Yost, Auditor of State

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

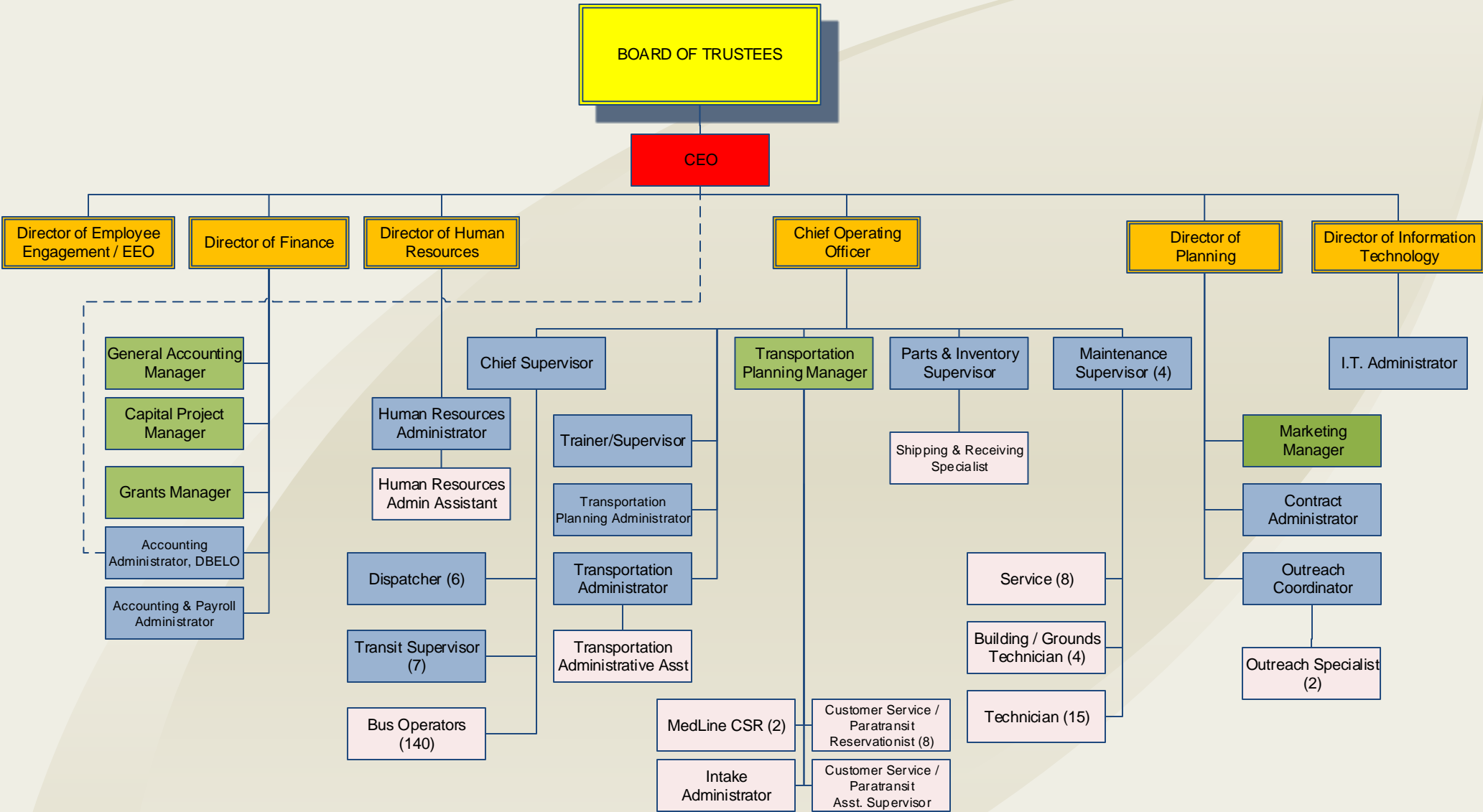
AS OF DECEMBER 31, 2017

BOARD OF TRUSTEES

President.....*Charles DeGraff*
Vice President*Ron Macala*
Trustees..... *Amanda Fletcher*
Greg Blasiman
Paul Dykshoorn
Margaret Egbert
James Reinhard
Chet Warren
Edward Grier

MANAGEMENT

Executive Director/CEO..... *Kirt W. Conrad*
Director of Finance & Administration..... *Carrie Domer*
Chief Operations Officer *Mark Finnicum*
Director of Information Technology..... *Craig Smith*
Director of Planning & Community Outreach..... *Latrice Virola*
Director of Human Resources.....*Kristy Williams*
Director of Employee Relations & E.E.O.C.....*Tammy Brown*



Stark Area Regional Transit Authority
Organizational Chart
 December 31, 2017



Financial Section 2017

The Financial Section includes:

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Stark Area Regional Transit Authority
Stark County
1600 Gateway Blvd. S.E.
Canton, Ohio 44707

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the Stark Area Regional Transit Authority, Stark County, Ohio (the Authority), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stark Area Regional Transit Authority, Stark County as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of the Stark Area Regional Transit Authority, Stark County, Ohio (the Authority), as of and for the year ended December 31, 2016, were audited by predecessor auditor whose report dated May 31, 2017, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 27, 2018

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

As the financial management of the Stark Area Regional Transit Authority (Authority or SARTA), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017. 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 basic financial statements as a whole.

Financial Highlights

The Authority's total net position decreased \$1,770,709 or 3.10 percent in 2017. The decrease in net position is attributed to the authority's decrease in capital investments and federal capital funding.

The Authority's total net position increased \$13,452,324 or 30.83 percent in 2016. CNG buses, Hydrogen station, and a Hydrogen bus were completed as well as upgrade to bus equipment and facility enhancements to our main location.

In 2017, the Authority's operating expenses, excluding depreciation were \$2,739,396 higher than in 2016, a 13.54 percent increase, primarily due to labor, benefits, and material and supplies costs.

In 2016, the Authority's operating expenses, excluding depreciation were \$1,747,479 higher than in 2015, a 9.45 percent increase, primarily due to increased benefit costs, insurance and labor costs.

Operating revenues for the Authority were \$56,548 lower in 2017, a 2.46 percent decrease. In 2017, ridership declined which is reflected in passenger fares showing a decrease.

Operating revenues for the Authority were \$153,160 lower in 2016, a 6.25 percent decrease. In 2016, ridership declined which is reflected in passenger fares showing a decrease.

In 2017, sales tax revenue increased \$418,722 or 2.83 percent compared to 2016. Sales tax revenue accounted for 66.52 percent of all funding in 2017, exclusive of capital grants.

In 2016, sales tax revenue increased \$238,673, or 1.64 percent compared to 2015. Sales tax revenue accounted for 68.51 percent of all funding in 2016, exclusive of capital grants.

In 2017, operating grants and reimbursements were \$824,789 higher compared to 2016, or 18.64 percent increase, primarily due to preventative maintenance costs being reimbursed.

In 2016, operating grants and reimbursements were \$1,374,051 higher compared to 2015, or 45.04 percent increase, primarily due to preventative maintenance costs being reimbursed.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the *Basic Financial Statements*, and 2) *Notes to 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 a private-sector business.

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

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

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

The final required financial statement is the *Statements 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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

Notes to Financial Statements

The notes to financial statements 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 35-69 of this report.

Financial Analysis of the Authority

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by \$55,312,357 at the close of the most recent fiscal year. The Authority's net position is 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 2017, a portion of the Authority's net position represented resources that were subject to the restriction of being held to pay for capital assets. In 2017 *unrestricted net position* totaled \$6,448,295.

At the end of 2017 and 2016, the Authority was able to report positive balances in net position.

**STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO**

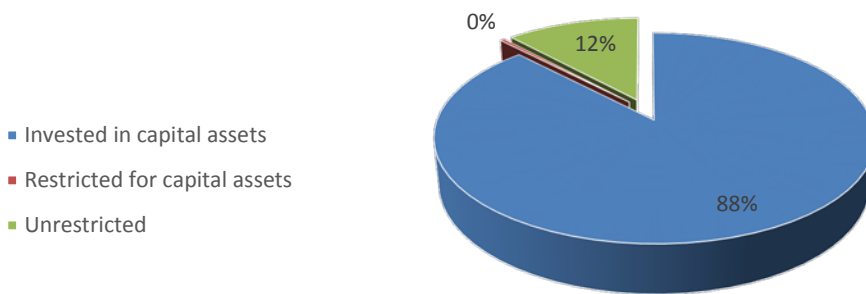
MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

NET POSITION

| | 2017 | 2016 | 2015 |
|-------------------------------|---------------------|---------------------|---------------------|
| Current assets | \$18,138,441 | \$17,358,508 | \$15,972,971 |
| Capital assets, net | 48,654,323 | 49,205,091 | 36,746,495 |
| Other-Net Pension Asset | 23,637 | 23,825 | 8,515 |
| Total assets | <u>\$66,816,401</u> | <u>\$66,587,424</u> | <u>\$52,727,981</u> |
| | | | |
| Deferred Outflow of Resources | <u>\$5,831,287</u> | <u>\$4,199,739</u> | <u>\$1,345,262</u> |
| | | | |
| Current Liabilities | \$2,367,541 | \$2,403,387 | \$2,605,543 |
| Long Term Liabilities | <u>14,863,489</u> | <u>11,076,322</u> | <u>7,705,751</u> |
| Total Liabilities | <u>\$17,231,030</u> | <u>\$13,479,709</u> | <u>\$10,311,294</u> |
| | | | |
| Deferred Inflow of Resources | <u>\$104,301</u> | <u>\$224,388</u> | <u>\$131,207</u> |
| | | | |
| Net position: | | | |
| Invested in capital assets | \$48,654,323 | \$49,205,091 | \$36,746,495 |
| Restricted for capital assets | 209,739 | 106,799 | 125,918 |
| Unrestricted | <u>6,448,295</u> | <u>7,771,176</u> | <u>6,758,329</u> |
| Total net position | <u>\$55,312,357</u> | <u>\$57,083,066</u> | <u>\$43,630,742</u> |

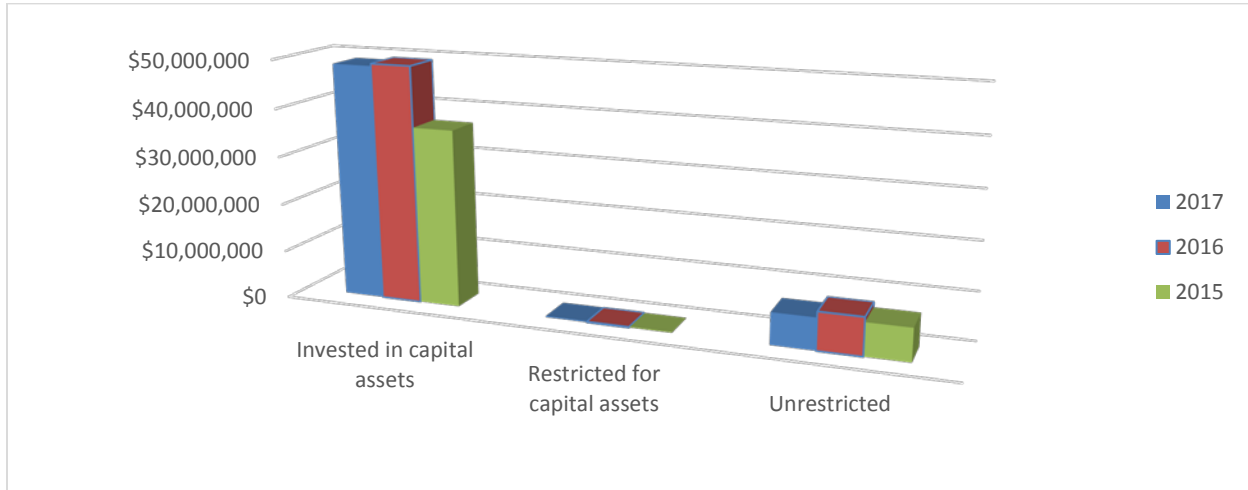
2017 Net Position



STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016



As can be seen from the table of net position, in 2017, net position decreased \$1,770,709 to \$55,312,357 from \$57,083,066 in 2016.

For more information on capital assets, readers are referred to Note 5 to the financial statements.

**STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO**

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

CHANGES IN NET POSITION

| | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | |
| Passenger fares | \$1,148,401 | \$1,200,231 | \$1,348,373 |
| Special transit fares | 978,456 | 1,024,495 | 990,281 |
| Auxiliary transportation revenue | 112,362 | 71,041 | 110,273 |
| TOTAL OPERATING REVENUES | 2,239,219 | 2,295,767 | 2,448,927 |
| OPERATING EXPENSES | | | |
| Labor | 7,922,433 | 7,601,170 | 7,142,492 |
| Fringe benefits | 8,672,802 | 6,783,211 | 5,858,125 |
| Materials and supplies | 2,921,073 | 2,501,737 | 3,045,136 |
| ODOT fuel tax reimbursement | (98,013) | (105,527) | (108,694) |
| Services | 1,454,817 | 1,313,963 | 1,375,355 |
| Utilities | 453,531 | 415,293 | 414,994 |
| Casualty and liability insurance | 498,287 | 683,314 | 476,012 |
| Leases and rentals | 47,266 | 28,922 | 52,462 |
| Miscellaneous | 1,102,073 | 1,012,790 | 231,512 |
| TOTAL OPERATING EXPENSES | 22,974,269 | 20,234,873 | 18,487,394 |
| OPERATING LOSS BEFORE DEPRECIATION | (20,735,050) | (17,939,106) | (16,038,467) |
| Depreciation expense | 4,064,382 | 3,755,115 | 3,453,601 |
| OPERATING LOSS | (24,799,432) | (21,694,221) | (19,492,068) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Sales tax revenues | 15,231,084 | 14,812,362 | 14,573,689 |
| Operating grants and reimbursements | 5,249,582 | 4,424,793 | 3,050,742 |
| Interest income | 40,546 | 67,488 | 17,604 |
| Sales tax collection expense | (148,633) | (148,124) | (145,737) |
| Gain (loss) on disposal of capital asset | 12,366 | 675 | (58,557) |
| Non-transportation revenue | 124,505 | 20,810 | 54,616 |
| NON OPERATING REVENUES (EXPENSES) | 20,509,450 | 19,178,004 | 17,492,357 |
| CAPITAL GRANT REVENUE | | | |
| Federal capital grant | 2,519,273 | 15,968,541 | 3,736,887 |
| TOTAL CAPITAL GRANTS | 2,519,273 | 15,968,541 | 3,736,887 |
| CHANGE IN NET POSITION | (1,770,709) | 13,452,324 | 1,737,176 |
| Net position, beginning balance | 57,083,066 | 43,630,742 | 41,893,566 |
| Net position, ending balance | \$55,312,357 | \$57,083,066 | \$43,630,742 |

**STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO**

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

Depreciation expense increased \$309,267 or 8.24 percent in 2017, due to purchases of vehicles and upgrades to vehicle equipment.

In 2017, *Non-operating revenues-net* increased \$1,331,446 or 6.94 percent, to \$20,509,450.

Condensed Summary of Cash Flows

Sales tax collections are defined as *non-operating, non-capital revenue*, and are used to support the regular activities of the Authority. 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 Authority. Shortfalls in cash inflows were the result of requirements that the Authority fund up to 20 percent of capital purchases with local funding.

CASH FLOWS

| | 2017 | 2016 | 2015 |
|--|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$2,238,500 | \$2,366,882 | \$2,470,269 |
| Cash payments to suppliers for goods & services | (6,576,162) | (6,357,150) | (4,581,451) |
| Cash payments to employees for salaries and wages | (7,940,024) | (7,571,807) | (7,332,166) |
| Cash payments for employee for benefits | (7,564,521) | (5,965,151) | (5,804,539) |
| Net cash used in operating activities | (\$19,842,207) | (\$17,527,226) | (\$15,247,887) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Sales tax received | \$15,235,612 | \$14,595,763 | \$14,412,061 |
| Operating & preventive maintenance grants received | 4,383,256 | 4,424,793 | 3,050,742 |
| Non-transportation revenues | 124,505 | 20,810 | 54,616 |
| Net cash provided by noncapital financing activities | \$19,743,373 | \$19,041,366 | \$17,517,419 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Federal capital grant revenue | \$2,622,213 | \$15,949,422 | \$3,632,052 |
| Proceeds from sale of capital assets | 12,366 | 675 | 9,052 |
| Acquisition of capital assets & work in process | (3,513,615) | (16,213,711) | (5,313,192) |
| Net cash provided (used) by capital and related financing activities | (\$879,036) | (\$263,614) | (\$1,672,088) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received from investments | \$40,546 | \$67,488 | \$17,604 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$(937,324) | \$1,318,014 | \$615,048 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 12,546,315 | 11,228,301 | 10,613,253 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$11,608,991 | \$12,546,315 | \$11,228,301 |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

Capital Assets

The Authority's investment in capital assets amounts to \$48,654,323 as of December 31, 2017 and \$49,205,091 as of December 31, 2016, a net decrease of \$550,768 or 1.12 percent from 2016. 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 expenses during the current fiscal year included the following:

| | |
|------------------------|--------------|
| Bldgs. & improvements | \$ 1,951,621 |
| Bus M&E Farebox Radios | 227,764 |
| 30', 35' 40' buses | 10,188,953 |
| Computer hardware | 52,832 |

The Authority's investment in capital assets amounts to \$49,205,091 as of December 31, 2016 and \$36,746,495 as of December 31, 2015, a net increase of \$12,458,596 or 33.9 percent from 2015, primarily due to the purchase of buses. Capital assets include land, land improvements, revenue producing and service equipment, buildings and structures, office furnishings, shop equipment, computer equipment, and software licenses. Major capital asset expenses during the current fiscal year included the following:

| | |
|-----------------------|------------|
| Bldgs. & improvements | \$ 313,316 |
| 30', 35' 40' buses | 2,315,628 |
| Light duty buses | 1,381,750 |
| Electronics | 261,182 |
| Computer hardware | 61,324 |

The *Notes to Financial Statements*, Note 5 page 61, 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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

Governmental Accounting Standards Board (GASB) 68

During 2015, the Stark Area Regional Transit Authority adopted GASB Statement No. 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Stark Area Regional Transit Authority’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach, this approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the Stark Area Regional Transit Authority’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Stark Area Regional Transit Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2017 and 2016

In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Stark Area Regional Transit Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Stark Area Transit Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances and to show accountability for the money it receives. The reader is directed to the *Basic Financial Statements and Notes to Financial Statements*, immediately following, for further information. This report is also available on the Authority's website at www.sartaonline.com/financials. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, Stark Area Regional Transit Authority, 1600 Gateway Blvd. S.E., Canton, Ohio 44707.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 and 2016

| ASSETS | 2017 | 2016 |
|--|---------------|---------------|
| CURRENT ASSETS: | | |
| Cash & cash equivalents | \$ 11,399,252 | \$ 12,439,516 |
| Receivables: | | |
| Trade | 929,687 | 62,642 |
| Sales tax | 3,732,135 | 3,885,295 |
| Other misc receivables | 133,347 | 162,202 |
| Materials & supplies inventory | 285,874 | 315,863 |
| Prepaid expenses & other assets | 1,448,407 | 386,191 |
| Restricted for capital assets: | | |
| Cash & cash equivalents | 209,739 | 106,799 |
| TOTAL CURRENT ASSETS | 18,138,441 | 17,358,508 |
| Capital assets: (Note 5) | | |
| Land | 932,672 | 932,672 |
| Buildings & improvements | 22,189,377 | 20,237,756 |
| Transportation equipment | 41,355,318 | 32,060,897 |
| Other equipment | 4,977,613 | 4,890,154 |
| Construction & WIP | 8,063,064 | 17,005,246 |
| Total capital assets | 77,518,044 | 75,126,725 |
| Less accumulated depreciation | (28,863,721) | (25,921,634) |
| Capital assets - net | 48,654,323 | 49,205,091 |
| Total noncurrent assets and capital assets | 48,654,323 | 49,205,091 |
| Other Assets | | |
| Net Pension Asset | 23,637 | 23,825 |
| TOTAL ASSETS | 66,816,401 | 66,587,424 |
| Deferred outflow of resources | | |
| Pension | 5,831,287 | 4,199,739 |

The accompanying notes are an integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENTS OF NET POSITION
(continued)
DECEMBER 31, 2017 and 2016

| LIABILITIES AND NET POSITION | <u>2017</u> | <u>2016</u> |
|--------------------------------------|----------------------|----------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 976,587 | \$ 1,203,704 |
| Accrued payroll | 101,975 | 119,566 |
| Accrued payroll taxes & withholdings | 266,828 | 289,500 |
| Compensated absences | 36,000 | 27,000 |
| Other current liabilities | 776,412 | 656,818 |
| Capital grants payable | 209,739 | 106,799 |
| TOTAL CURRENT LIABILITIES | <u>2,367,541</u> | <u>2,403,387</u> |
| LONG TERM LIABILITIES | | |
| Compensated absences (Note 8) | 403,298 | 387,198 |
| Net pension liability | 14,460,191 | 10,689,124 |
| TOTAL LONG TERM LIABILITIES | <u>14,863,489</u> | <u>11,076,322</u> |
| TOTAL LIABILITIES | <u>17,231,030</u> | <u>13,479,709</u> |
| | | |
| Deferred inflow of resources | | |
| Pension | <u>104,301</u> | <u>224,388</u> |
| | | |
| NET POSITION: | | |
| Investment in capital assets | 48,654,323 | 49,205,091 |
| Restricted for capital assets | 209,739 | 106,799 |
| Unrestricted | 6,448,295 | 7,771,176 |
| TOTAL NET POSITION | <u>\$ 55,312,357</u> | <u>\$ 57,083,066</u> |

The accompanying notes are an integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

| | 2017 | 2016 |
|--|---------------|---------------|
| OPERATING REVENUES | | |
| Passenger fares | \$ 1,148,401 | \$ 1,200,231 |
| Special transit fares | 978,456 | 1,024,495 |
| Auxiliary transportation revenues | 112,362 | 71,041 |
| TOTAL OPERATING REVENUES | 2,239,219 | 2,295,767 |
| OPERATING EXPENSES | | |
| Labor | 7,922,433 | 7,601,170 |
| Fringe benefits | 8,672,802 | 6,783,211 |
| Materials, supplies and training | 2,921,073 | 2,501,737 |
| ODOT fuel tax reimbursement | (98,013) | (105,527) |
| Services | 1,454,817 | 1,313,963 |
| Utilities | 453,531 | 415,293 |
| Casualty and liability insurance | 498,287 | 683,314 |
| Leases and rentals | 47,266 | 28,922 |
| Miscellaneous | 1,102,073 | 1,012,790 |
| TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION | 22,974,269 | 20,234,873 |
| OPERATING LOSS BEFORE DEPRECIATION | (20,735,050) | (17,939,106) |
| DEPRECIATION EXPENSE (Note 5) | 4,064,382 | 3,755,115 |
| OPERATING LOSS | (24,799,432) | (21,694,221) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Sales tax revenues (Note 4) | 15,231,084 | 14,812,362 |
| Operating grants and reimbursements | 5,249,582 | 4,424,793 |
| Interest income | 40,546 | 67,488 |
| Sales tax collection expense | (148,633) | (148,124) |
| Gain (loss) on disposal of capital assets | 12,366 | 675 |
| Non-transportation revenues | 124,505 | 20,810 |
| Total Non-Operating Revenues - Net | 20,509,450 | 19,178,004 |
| NET LOSS BEFORE CAPITAL GRANT REVENUE | (4,289,982) | (2,516,217) |
| Federal capital grant | 2,519,273 | 15,968,541 |
| Total Capital Grants | 2,519,273 | 15,968,541 |
| INCREASE (DECREASE) IN NET POSITION | (1,770,709) | 13,452,324 |
| Net position, beginning of year | 57,083,066 | 43,630,742 |
| Net position, end of year | \$ 55,312,357 | \$ 57,083,066 |

The accompanying notes are integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | 2,238,500 | 2,366,882 |
| Cash payments to suppliers for goods and services | (6,576,162) | (6,357,150) |
| Cash payments to employees for salaries and wages | (7,940,024) | (7,571,807) |
| Cash payments for employees benefits | (7,564,521) | (5,965,151) |
| Net cash used by operating activities | (19,842,207) | (17,527,226) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Sales taxes received | 15,235,612 | 14,595,763 |
| Operating and preventive maintenance grants received | 4,383,256 | 4,424,793 |
| Non-transportation revenues | 124,505 | 20,810 |
| Net cash provided by noncapital financing activities | 19,743,373 | 19,041,366 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Federal capital grant revenue | 2,622,213 | 15,949,422 |
| Proceeds from sale of capital assets | 12,366 | 675 |
| Acquisition of capital assets and work in process | (3,513,615) | (16,213,711) |
| Net cash used by capital and related financing activities | (879,036) | (263,614) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received from investments | 40,546 | 67,488 |
| Net cash provided by investing activities | 40,546 | 67,488 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (937,324) | 1,318,014 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 12,546,315 | 11,228,301 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 11,608,991 | 12,546,315 |

The accompanying notes are integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENT OF CASH FLOWS
(continued)
For the Year Ended December 31, 2017 and 2016

| RECONCILIATION OF OPERATING LOSS | 2017 | 2016 |
|--|-----------------|-----------------|
| TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | (24,799,432) | \$ (21,694,221) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 4,064,382 | 3,755,115 |
| (Increase) decrease in accounts receivable - trade | (719) | 71,116 |
| (Increase) decrease in materials & supplies inventory | 29,989 | (18,304) |
| (Increase) decrease in prepaid expenses & other assets | (1,033,361) | (51,860) |
| (Increase) decrease in deferred outflows - pension | (1,631,548) | (2,854,477) |
| (Increase) decrease in net pension asset | 188 | (15,310) |
| (Decrease) increase in accounts payable | (227,117) | (488,355) |
| (Decrease) increase in net pension liability | 3,771,067 | 3,368,508 |
| (Decrease) increase in accrued payroll | (17,591) | 29,364 |
| (Decrease) increase in deferred inflows - pension | (120,087) | 93,181 |
| (Decrease) increase in accrued payroll taxes & withholdings | (22,672) | 33,950 |
| (Decrease) increase in other current liabilities | 144,694 | 244,067 |
| NET CASH USED IN OPERATING ACTIVITIES | \$ (19,842,207) | \$ (17,527,226) |
| Supplemental disclosures of cash flow information: | | |
| Change in sales tax receivable | \$ (153,160) | \$ 68,475 |

The accompanying notes are an integral part of these financial statements

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Stark Area Regional Transit Authority (the Authority) was created pursuant to Section 306.30 through 306.71 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 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, 2017 were subject to a collective bargaining agreement that expires on January 4, 2019.

Under Ohio law, the Authority is authorized to levy a sales 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 4). On November 8, 2016 the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority's operations through June of 2027.

Reporting Entity

The Authority has adopted the provisions of GASB Statement No. 14 "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34 regarding the definition of the financial reporting entity. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statement No. 14, the Authority has no component units and is not considered to be a component unit of any other entity.

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

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Cash and Cash Equivalents

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

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

The Authority's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the Authority. The Authority measures their investment in STAR Ohio at the net value (NAV) per share by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there was no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

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

The Authority has invested funds in debt securities through Huntington Bank. Debt securities are invested funds with various governmentally sponsored enterprises.

Huntington Bank collateralizes public deposits in excess of \$250,000 in FDIC. Risk has been reduced by invested deposits that are insured 105 percent of total public fund deposits book value subject to the pool. Custodian of pool securities for The Huntington National Bank's pooled collateral accounts is The Federal Reserve Bank of Boston.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

| <u>Description</u> | <u>Years</u> |
|----------------------------|---------------------|
| Buildings and Improvements | 40 |
| Transportation Equipment | 5-12 |
| Other Equipment | 3-8 |

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

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classifications of Revenues

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

Recognition of Revenue and Receivables

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

The federal government, through the FTA and the Ohio Department of Transportation (ODOT), provides financial assistance and makes grants directly to the Authority for operations and acquisition of property and equipment. Operating grants and special fare assistance awards made on the basis of entitlement periods are recorded as grant receivables and revenues over the entitlement periods. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as a trade receivable and credited to non-operating revenues when related capital expenses are incurred. Capital grants for the maintenance of property, plant, and equipment are recorded as trade receivable and credited to non-operating revenues in the period operating expenses are incurred.

When assets with value remaining were acquired with capital grant 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 acquisition 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 Authority. Non-operating expenses include costs that are due to transactions other than the primary operations of the Authority.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal and State Operating and Preventive Maintenance Assistance Funds

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

Sales Tax Revenues

The Authority recognizes sales tax revenues when the underlying sales transaction occurs.

Compensated Absences

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

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

Net pension liability and pension expense

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to or deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

The current accounting standard requires the Authority to report their proportionate share of the net pension liability using the earning approach to pension accounting instead of the funding approach as previously used. The funding approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. Under the new standards, the net pension liability equals the Authority's proportionate share of the pension plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. The unfunded portion of this benefit of exchange is a liability of the Authority. However, the Authority is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the plan.

There is no repayment schedule for the net pension liability. The Authority has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of the net pension liability. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Comparative Data/Reclassifications

Prior year data presented in Management's Discussion and Analysis and the footnotes have been reclassified in order to be comparative and provide understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation.

Restricted Net Position

The Authority applies restricted resources first when expenses are incurred for purposes for which either restricted or unrestricted amounts are available.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS

Net Pension (Asset) Liability

The net pension (asset) liability reported on the statement of net position represents an asset or liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The *net pension (asset) liability* represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension (asset) liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension (asset) liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued payroll taxes & withholdings* on the accrual basis of accounting.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - SARTA employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for December 31, 2017 and 2016, as follows:

| | 2017 State <u>and Local</u> | 2016 State <u>and Local</u> |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Statutory Maximum Contribution Rates | | |
| Employer | 14.0% | 14.0% |
| Employee | 10.0% | 10.0% |
| Actual Contribution Rates | | |
| Employer: | | |
| Pension | 13.0% | 12.0% |
| Post-employment Health Care Benefits | 1.0% | 2.0% |
| Total Employer | <u>14.0%</u> | <u>14.0%</u> |
| Employee | <u>10.0%</u> | <u>10.0%</u> |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution was \$1,139,841 for 2017. Of this amount, \$109,935 is reported in accrued payroll taxes & withholdings.

The Authority's contractually required contribution was \$966,747 for 2016. Of this amount, \$107,298 is reported in accrued payroll taxes & withholdings.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension (asset) liability for OPERS as of December 31, 2017 was measured as of December 31, 2016, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension (asset) liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | Traditional OPERS | Combined OPERS | Total |
|--|----------------------|-------------------|--------------|
| Proportionate Share of the Net Pension (Asset) Liability | \$14,460,191 | (\$23,637) | \$14,436,554 |
| Proportion of the Net Pension (Asset) Liability | 0.063678% | 0.042470% | |
| Pension Expense | \$3,140,928 | \$18,533 | \$3,159,461 |

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The net pension (asset) liability for OPERS as of December 31, 2016 was measured as of December 31, 2015, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension (asset) liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>Traditional OPERS</u> | <u>Combined OPERS</u> | <u>Total</u> |
|---|------------------------------|---------------------------|--------------|
| Proportionate Share of the Net Pension (Asset) Liability | \$10,689,124 | (\$23,825) | \$10,665,299 |
| Proportion of the Net Pension (Asset) Liability | 0.061711% | 0.048960% | |
| Pension Expense | \$1,556,927 | \$1,723 | \$1,558,650 |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---|------------------------------|---------------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Net differences between expected And actual experience | \$19,600 | - | \$19,600 |
| Net difference between projected and actual earnings on pension plan investments | 2,153,456 | \$5,767 | 2,159,223 |
| Change in proportion and difference between employer contributions and proportionate share of contributions | 210,552 | 2,747 | 213,299 |
| Changes of assumptions | 2,293,563 | 5,761 | 2,299,324 |
| Authority contributions subsequent to the measurement date | <u>1,116,579</u> | <u>23,262</u> | <u>1,139,841</u> |
| Total Deferred Outflows of Resources | <u>\$5,793,750</u> | <u>\$37,537</u> | <u>\$5,831,287</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$86,060 | \$12,089 | \$98,149 |
| Change in proportion and difference between employer contributions and proportionate share of contributions | <u>-</u> | <u>6,152</u> | <u>6,152</u> |
| Total Deferred Inflows of Resources | <u>\$86,060</u> | <u>\$18,241</u> | <u>\$104,301</u> |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|---|------------------------------|---------------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Net differences between projected and actual earnings on pension plan investments | \$3,141,935 | \$10,287 | \$3,152,222 |
| Change in proportion and difference between employer contributions and proportionate share of contributions | 80,770 | - | 80,770 |
| Authority contributions subsequent to the measurement date | <u>944,802</u> | <u>21,945</u> | <u>966,747</u> |
| Total Deferred Outflows of Resources | <u>\$4,167,507</u> | <u>\$32,232</u> | <u>\$4,199,739</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$206,535 | \$10,870 | \$217,405 |
| Change in proportion and difference between employer contributions and proportionate share of contributions | <u>-</u> | <u>6,983</u> | <u>6,983</u> |
| Total Deferred Inflows of Resources | <u>\$206,535</u> | <u>\$17,853</u> | <u>\$224,388</u> |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$1,139,841 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | <u>OPERS Traditional</u> | <u>OPERS Combined</u> | <u>Total</u> |
|--------------------------|------------------------------|---------------------------|--------------------|
| 2018 | \$1,924,265 | \$628 | \$1,924,893 |
| 2019 | 1,957,605 | 626 | 1,958,231 |
| 2020 | 772,364 | 376 | 772,740 |
| 2021 | (63,123) | (1,663) | (64,786) |
| 2022 | - | (1,434) | (1,434) |
| Thereafter | - | (2,499) | (2,499) |
| Total | <u>\$4,591,111</u> | <u>\$(3,966)</u> | <u>\$4,587,145</u> |

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> |
|--|---|--|
| Wage Inflation | 3.25 percent | 3.25 percent |
| Future Salary Increase, including inflation | 3.25 to 10.75 percent including wage inflation | 3.25 to 8.25 percent including wage inflation |
| COLA or Ad Hoc COLA | 3 percent, simple | 3 percent, simple |
| Investment Rate of Return | 7.5 percent | 7.5 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

| | <u>OPERS Traditional</u> | <u>OPERS Combined</u> |
|--|--|--|
| Wage Inflation | 3.75 percent | 3.75 percent |
| Future Salary Increase, including inflation | 4.25 to 10.5 percent including wage inflation | 4.25 to 8.05 percent including wage inflation |
| COLA or Ad Hoc COLA | 3 percent, simple | 3 percent, simple |
| Investment Rate of Return | 8 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality rates are based on the RP-2014 Healthy Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the Voluntary Employees' Beneficiary (VEBA) Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

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NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The allocation of investment assets with the Defined Benefit portfolio is approved by the pension plans or OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The tables below displays the Board-approved asset allocation policy for 2017 and 2016 and the long-term expected real rates of return:

| Asset Class | 2017 Target Allocation | % | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) | % |
|------------------------|------------------------------|----------|---|----------|
| Fixed Income | 23.00 | % | 2.75 | % |
| Domestic Equities | 20.70 | | 6.34 | |
| Real Estate | 10.00 | | 4.75 | |
| Private Equity | 10.00 | | 8.97 | |
| International Equities | 18.30 | | 7.95 | |
| Other Investments | 18.00 | | 4.92 | |
| Total | 100.00 | % | 5.66 | % |

STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

| Asset Class | 2016 Target Allocation | | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) | |
|------------------------|------------------------------|----------|---|----------|
| Fixed Income | 23.00 | % | 2.31 | % |
| Domestic Equities | 20.70 | | 5.84 | |
| Real Estate | 10.00 | | 4.25 | |
| Private Equity | 10.00 | | 9.25 | |
| International Equities | 18.30 | | 7.4 | |
| Other Investments | 18.00 | | 4.59 | |
| Total | 100.00 | % | 5.27 | % |

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension (Asset) Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net pension (asset) liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority’s proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

| 2017 | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---------------------------|--|---------------------------|
| Authority's proportionate share of the net pension liability - Traditional | \$22,091,172 | \$14,460,191 | \$8,101,115 |
| Authority's proportionate share of the net pension asset - Combined | 1,699 | (23,637) | (43,319) |
| 2016 | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
| Authority's proportionate share of the net pension liability - Traditional | \$17,030,385 | \$10,689,124 | \$5,340,470 |
| Authority's proportionate share of the net pension asset - Combined | (490) | (23,825) | (42,595) |

*STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. CASH AND CASH EQUIVALENTS

Allowable investments are according to Ohio Revised Code Section 135, and are limited to the following:

- U.S. Treasury Bills, Notes, Bonds, issues of the Federal National Mortgage Assn. (FNMA), Federal Home Loan Mortgage Corp. (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), Student Loan Marketing Assn. (SLMA), Government National Mortgage Assn. (GNMA), and other agencies or instrumentalities for which the full faith and credit of the U.S. Government is pledged for the repayment of principal and interest. Bills are short term (one year or less) obligations issued and sold at a discount. Notes have fixed coupon rates with original maturities of between one and five years. Any eligible investment may be purchased at a premium or a discount, and can include instruments that may be called by the issuer prior to the final maturity date.
- State Treasury Asset Reserve of Ohio (STAR Ohio), managed by the State Treasurer of Ohio.
- Demand deposit accounts (such as checking accounts) established with local financial institutions.
- Certificates of Deposit (CDs) issued by local financial institutions mentioned in Section 135.32 of the ORC.
- Commercial paper notes, limited to 40% (5% for single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and,
- Banker's acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.
- No-load money market mutual funds rated in the highest category by at least one nationally recognized rating agency, investing exclusively in the same types of eligible securities as defined in Division B(1) or B(2) under Section 135.14 of the ORC and repurchase agreements secured by such obligations. Eligible money

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. CASH AND CASH EQUIVALENTS (CONTINUED)

market funds shall comply with Section 135.01 of the ORC regarding limitations and restrictions.

- Repurchase agreements with any eligible institution mentioned in Section 135.32 of the ORC, or any eligible securities dealer pursuant to the ORC, except that such eligible securities dealers shall be restricted to primary government securities dealers. Repurchase agreements will settle on a delivery vs. payment basis with collateral held in safekeeping by a third party custodian as agreed to by the Executive Director. The fair value of securities subject to a repurchase agreement must exceed the principal value of the repurchase agreement by at least two percent as defined under the Ohio Revised Code. The Executive Director reserves the right to require an additional percentage of collateral securing such repurchase agreements. Prior to the execution of any repurchase agreement with an eligible dealer, master repurchase agreement will be signed by the Executive Director and the eligible dealer.

The Authority is prohibited from investments of the following:

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

STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

At December 31, 2017, the carrying amount of the Authority's deposits was \$2,236,214. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures." As of December 31, 2017, none of the Authority's bank balance of \$2,743,233 was exposed to custodial risk as discussed below, while \$250,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2016, the carrying amount of the Authority's deposits was \$6,189,482. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures." As of December 31, 2016, none of the Authority's bank balance of \$6,468,250 was exposed to custodial risk as discussed below, while \$300,176 was covered by Federal Deposit Insurance Corporation.

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

Investments

Investments are reported at fair value. As of December 31, 2017 the Authority had the following investments:

| | Maturity Date | | |
|-------------------|----------------------------|-------------------------------|-------------------------------|
| <u>Investment</u> | <u>2017 Fair Value</u> | <u>Less than 6 Months</u> | <u>More than 6 months</u> |
| STAR Ohio | \$20,462 | \$20,462 | \$- |
| CDAR-52 week term | 500,000 | - | 500,000 |
| CDAR-52 week term | 1,000,000 | 762,500 | 237,500 |
| Money Market | 2,860,551 | 247,000 | 2,613,551 |
| Debt Securities | 1,023,735 | 523,735 | 500,000 |
| Debt Securities | 3,968,030 | - | 3,968,030 |
| Total | \$9,372,778 | \$1,553,697 | \$7,819,081 |

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Investments are reported at fair value. As of December 31, 2016 the Authority had the following investments:

| <u>Investment</u> | | <u>2016 Fair Value</u> | <u>Maturity Date</u> |
|-------------------|-----------|----------------------------|--------------------------|
| STAR Ohio | \$ | 20,245 | Less than 6 months |
| CDAR-52 week term | | 500,000 | More than 6 months |
| CDAR-52 week term | | 1,000,000 | More than 6 months |
| Money Market | | 1,843,585 | More than 6 months |
| Debt Securities | | 1,014,033 | More than 6 months |
| Debt Securities | | 1,978,970 | More than 6 months |
| Total | \$ | 6,356,833 | |

The Authority categorizes its fair value measurements within the fair value hierarchy established by general accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As previously discussed STAR Ohio is reported at its net asset value.

The above chart identifies the Authority’s recurring fair value measurements as of December 31, 2017 and 2016. The CDARS and money market investments are valued using quoted market prices (Level 1 inputs) at December 31, 2017 and 2016. The fair value of debt securities at December 31, 2017 and 2016 was determined primarily based on Level 2 inputs. Inputs within Level 2 of the fair value hierarchy include inputs that are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for the asset or liability. The debt securities are valued using fair valuation methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, and offers. There is no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million per day. Transactions in all of a participant’s accounts of the STAR Ohio investor will be combined for these purposes.

STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Interest rate risk

In accordance with its investment policy, the Authority limits its exposure to declines in fair values by limiting the weighted average maturity of its investments in the Ohio Investment Pool to less than 12 months. STAR Ohio's weighted average maturity was 52.1 days.

Investments in STAR Ohio 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>2017 Investments</u> | <u>Fair Value</u> | <u>1 Year</u> | <u>1-5 Years</u> |
|--|-----------------------|-------------------|----------------------|
| State Treasurer's Inv Pool (STAR Ohio) | \$20,462 | \$20,462 | \$- |
| CDARS-2year | 1,000,000 | 762,500 | 237,500 |
| CDARS-2year | 500,000 | - | 500,000 |
| Money Market | 2,860,551 | 247,000 | 2,613,551 |
| Debt Securities | 1,023,735 | 523,735 | 500,000 |
| Debt Securities | 3,968,030 | - | 3,968,030 |
| <u>2016 Investments</u> | <u>Fair Value</u> | <u>1 Year</u> | <u>1-5 Years</u> |
| State Treasurer's Inv Pool (STAR Ohio) | \$20,245 | \$20,245 | \$- |
| CDARS-2year | 1,000,000 | - | 1,000,000 |
| CDARS-2year | 500,000 | - | 500,000 |
| Debt Securities | 1,978,970 | - | 1,978,970 |
| Debt Securities | 1,014,033 | - | 1,014,033 |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

3. CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

As of December 31, 2017 and 2016, Standard & Poor's rated the Authority's investment in the State Treasurer's Pool AAAm, and the Authority's investment in both FNMA bonds AA+

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has a deposit policy for custodial credit risk. As of December 31, 2017 and 2016 no balance (or deposit), was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Custodial Credit Risk – Investments

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

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in any one issuer.

4. TAX REVENUES

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. On November 8, 2016, the voters of Stark County renewed the .25 percent sales tax levy until June of 2027.

**STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO**

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Beginning Balance | | | | Ending Balance |
|---|----------------------|-------------|-------------|--------------|-------------------|
| | 1/1/2017 | Additions | Disposals | Transfers | 12/31/2017 |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 932,672 | \$ - | \$ - | \$ - | \$ 932,672 |
| Construction & Projects in Progress | 17,005,246 | 3,198,392 | - | (12,140,574) | 8,063,064 |
| Total Capital Assets Not Depreciated | 17,937,918 | 3,198,392 | - | (12,140,574) | 8,995,736 |
| Capital Assets Being Depreciated: | | | | | |
| Buildings & Improvements | 20,237,756 | - | - | 1,951,621 | 22,189,377 |
| Transportation Equipment | 32,060,897 | 227,764 | (1,122,296) | 10,188,953 | 41,355,318 |
| Other Equipment | 4,890,154 | 87,459 | - | - | 4,977,613 |
| Total Capital Assets being Depreciated | 57,188,807 | 315,223 | (1,122,296) | 12,140,574 | 68,522,308 |
| Total Capital Assets | 75,126,725 | 3,513,615 | (1,122,296) | - | 77,518,044 |
| Less accumulated depreciation for: | | | | | |
| Buildings & Improvements | 4,460,260 | 524,442 | - | - | 4,984,702 |
| Transportation Equipment | 17,423,131 | 3,282,963 | (1,122,296) | - | 19,583,798 |
| Other Equipment | 4,038,243 | 256,978 | - | - | 4,295,221 |
| Total Accumulated Depreciation | 25,921,634 | 4,064,383 | (1,122,296) | - | 28,863,721 |
| Total Capital Assets, Net | \$ 49,205,091 | \$(550,768) | \$ - | \$ - | \$ 48,654,323 |

**STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO**

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2016, was as follows:

| | Beginning Balance <u>1/1/2016</u> | <u>Additions</u> | <u>Disposals</u> | <u>Transfers</u> | Ending Balance <u>12/31/2016</u> |
|---|---|------------------|------------------|------------------|--|
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 932,672 | \$ - | \$ - | \$ - | \$ 932,672 |
| Construction & Projects in Progress | 5,669,579 | 12,888,976 | - | (1,553,309) | 17,005,246 |
| Total Capital Assets Not Depreciated | 6,602,251 | 12,888,976 | - | (1,553,309) | 17,937,918 |
| Capital Assets Being Depreciated: | | | | | |
| Buildings & Improvements | 19,924,440 | 38,450 | - | 274,866 | 20,237,756 |
| Transportation Equipment | 28,279,973 | 2,791,486 | (289,005) | 1,278,443 | 32,060,897 |
| Other Equipment | 4,451,642 | 494,799 | (56,287) | - | 4,890,154 |
| Total Capital Assets being Depreciated | 52,656,055 | 3,324,735 | (345,292) | 1,553,309 | 57,188,807 |
| Total Capital Assets | 59,258,306 | 16,213,711 | (345,292) | - | 75,126,725 |
| Less accumulated depreciation for: | | | | | |
| Buildings & Improvements | 3,956,862 | 503,398 | - | - | 4,460,260 |
| Transportation Equipment | 14,734,158 | 2,977,978 | (289,005) | - | 17,423,131 |
| Other Equipment | 3,820,791 | 273,739 | (56,287) | - | 4,038,243 |
| Total Accumulated Depreciation | 22,511,811 | 3,755,115 | (345,292) | - | 25,921,634 |
| Total Capital Assets, Net | \$ 36,746,495 | \$12,458,596 | \$ - | \$ - | \$ 49,205,091 |

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

6. RETIREMENT BENEFITS

Post-Retirement Benefits

A. Plan Description

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

6. RETIREMENT BENEFITS (CONTINUED)

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS may be set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

C. Information From the Authority's Records

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2017, 2016 and 2015 were \$89,470, \$169,757 and \$160,678, respectively; 90.55% has been contributed for 2017. The full amount has been contributed for 2016 and 2015. \$8,457, representing the unpaid contribution for fiscal year 2017, is recorded as an accrued payroll taxes and withholdings. The actual contribution and the actuarially required contribution amounts are the same.

**STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO**

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

7. RESTRICTED ASSETS

During 2017, the Authority received insurance proceeds in the amount of \$102,940 for two buses and one support vehicle that were deemed unsalvageable due to accidents. The proceeds will be used to offset future bus purchases, thereby reducing the amount drawn from grant funds. As of December 31, 2017 and 2016, the balance in restricted cash related to these proceeds was \$209,739 and \$106,799 respectively.

8. LONG TERM LIABILITIES

Sick leave is earned for regular full-time employees at the rate of 4 hours per pay period. For non-union employees that worked less than 64 hours, the accrued amount is prorated at a rate of .05 based on the number of hours worked in that pay period. Sick time will continue to accrue up to 320 hours. Any additional hours beyond 320 shall be cashed out at one-half the non-union employee's regular hourly rate on December 31st, or the last day of the calendar year. Upon involuntary termination for other than gross misconduct, or upon resignation with at least two weeks' notice, accumulated and unused sick time may be paid at one-half of the non-union employee's regular hourly rate.

| | Balance 1/1/2017 | Additions | Retirements | Balance 12/31/2017 | Due Within One Year |
|----------------------|---------------------|-----------|-------------|-----------------------|------------------------|
| Compensated Absences | \$414,198 | \$61,100 | (\$36,000) | \$439,298 | \$36,000 |

| | Balance 1/1/2016 | Additions | Retirements | Balance 12/31/2016 | Due Within One Year |
|----------------------|---------------------|-----------|-------------|-----------------------|------------------------|
| Compensated Absences | \$415,135 | \$26,063 | (\$27,000) | \$414,198 | \$27,000 |

| | Balance 1/1/2017 | Additions | Retirements | Balance 12/31/2017 | Due Within One Year |
|--------------|---------------------|-------------|-------------|-----------------------|------------------------|
| Pension, net | \$10,689,124 | \$3,771,067 | \$ - | \$14,460,191 | \$ - |

| | Balance 1/1/2016 | Additions | Retirements | Balance 12/31/2016 | Due Within One Year |
|--------------|---------------------|--------------|-------------|-----------------------|------------------------|
| Pension, net | \$7,320,616 | \$3,3368,508 | \$ - | \$10,689,124 | \$ - |

*STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

9. GRANTS AND REIMBURSEMENTS

Grants and reimbursements included in the statements of revenues, expenses and changes in net position for the years ended December 31, 2017 and 2016 consists of the following:

| Grants | <u>2017</u> | <u>2016</u> |
|--|---------------------------|----------------------------|
| State and Federal Prevention Maintenance | \$2,989,196 | \$2,059,193 |
| Federal Planning | 253,888 | 613,114 |
| Federal Capital & Operating | 4,482,306 | 17,696,587 |
| Federal JARC & New Freedom | <u>43,465</u> | <u>24,440</u> |
| Total Grants | <u>7,768,855</u> | <u>20,393,334</u> |
| | | |
| ODOT Fuel Tax Reimbursement | <u>98,013</u> | <u>105,527</u> |
| Total Reimbursements | <u>98,013</u> | <u>105,527</u> |
| | | |
| Total Grants and Reimbursements | <u><u>\$7,866,868</u></u> | <u><u>\$20,498,861</u></u> |

10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, flood, tornado and earthquake, errors and omissions, employment-related matters, injuries to employees, and employee theft and fraud. Effective December 31, 1997, the Authority joined together with certain other transit authorities in the State to form the Ohio Transit Insurance Association, Inc. (name changed to Ohio Transit Risk Pool in 2002 – OTRP), a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for ten (as of December 31, 2017) member transit agencies. The Authority pays an annual premium to OTRP for its general insurance coverage for losses greater than the Pool’s retained losses. Quarterly, the Authority pays into a loss and administration fund pursuant to OTRP’s bylaws to fund this retained layer. The Agreement of Formation of OTRP provides that OTRP will be self-sustaining through member contributions and will purchase coverage in excess of the Pool retained amount through commercial companies with an industry standard rating of A or better. All retained amounts and limits listed are per occurrence. Coverage is granted per occurrence.

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

10. RISK MANAGEMENT (CONTINUED)

Current coverage is purchased for commercial property losses in excess of \$1,000 with limits up to \$200,000,000 and for Auto Physical Damages losses in excess of \$1,000 with limits up to \$50,000,000. Additionally, coverage is purchased for all covered liability claims in excess of \$1,000 with limits up to \$10,000,000 for automobile liability and \$1,000,000 for all other liability coverage. The Authority is responsible for the first \$1,000 of any property and/or liability claim or occurrence, and any amounts above the per occurrence limit of coverage.

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

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

The Authority participates in the Health Transit Pool of Ohio.

11. LEASES

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

12. 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 expenses under the terms of the grant. At December 31, 2017 and 2016, there were no material 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 expenses will be disallowed.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

13. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2016, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Authority's financial statements; however, there was no effect on beginning net position.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. These changes were incorporated in the Authority's financial statements; however, there was no effect on beginning net position.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

14. CHANGE IN ACCOUNTING PRINCIPLES (CONTINUED)

GASB Statement No. 77 provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The implementation of this GASB pronouncement did not result in any changes to the Authority's financial statements.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The Authority incorporated the corresponding GASB 79 guidance into their financial statements; however, there was no effect on beginning net position.

Pronouncements Issued But Not Yet Effective – Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was issued in June 2015. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The Authority has not determined the impact, if any that this Statement will have on its financial statements or disclosures.

Stark Area Regional Transit Authority

Canton, Ohio

Required Supplementary Information

Schedule of Stark Area Regional Transit Authority's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System (OPERS) - Traditional Plan Last Four Years (1)

| | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|--------------|--------------|
| Authority's proportion of the net pension liability | 0.063678% | 0.061711% | 0.060696% | 0.060696% |
| Authority's proportionate share of the net pension liability | \$ 14,460,191 | \$ 10,689,124 | \$ 7,320,616 | \$ 7,155,268 |
| Authority's covered employee payroll | \$ 7,873,350 | \$ 7,854,942 | \$ 7,478,633 | \$ 6,246,241 |
| Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll | 183.66% | 136.08% | 97.89% | 114.55% |
| Plan fiduciary net position as a percentage of total pension liability | 77.25% | 81.08% | 86.45% | 86.36% |

(1) Information prior to 2014 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Stark Area Regional Transit Authority

Canton, Ohio

Required Supplementary Information

Schedule of Stark Area Regional Transit Authority's Proportionate Share of the Net Pension Liability Ohio Public Employees Retirement System (OPERS) - Combined Plan Last Four Years (1)

| | 2017 | 2016 | 2015 | 2014 |
|--|------------|-----------|-----------|-----------|
| Authority's proportion of the net pension liability | 0.0042470% | 0.048960% | 0.022117% | 0.022117% |
| Authority's proportionate share of the net pension liability | \$ 23,637 | \$ 23,825 | \$ 8,515 | \$ 2,321 |
| Authority's covered employee payroll | \$ 182,875 | \$ 96,192 | \$ 80,842 | \$ 67,752 |
| Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll | 12.93% | 24.77% | 10.53% | 3.43% |
| Plan fiduciary net position as a percentage of total pension liability | 116.55% | 116.90% | 114.83% | 104.56% |

(1) Information prior to 2014 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Stark Area Regional Transit Authority

Canton, Ohio

Required Supplementary Information

Schedule of Stark Area Regional Transit Authority's Contributions

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Last Ten Years

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Contractually required contribution | \$ 1,116,579 | \$ 944,802 | \$ 942,593 | \$ 897,436 | \$ 817,633 | \$ 775,369 | \$ 780,642 | \$ 747,917 | \$ 878,360 | \$ 1,324,737 |
| Contributions in relation to contractually required contribution | (1,116,579) | (944,802) | (942,593) | (897,436) | (817,633) | (775,369) | (780,642) | (747,917) | (878,360) | (1,324,737) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority covered employee payroll | \$ 8,589,069 | \$ 7,873,350 | \$ 7,854,942 | \$ 7,478,633 | \$ 6,246,241 | \$ 7,753,690 | \$ 7,806,420 | \$ 8,310,189 | \$ 10,333,647 | \$ 18,924,814 |
| Contributions as a percentage of covered employee payroll | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% | 10.00% | 9.00% | 8.50% | 7.00% |

Stark Area Regional Transit Authority
Canton, Ohio
 Required Supplementary Information
 Schedule of Stark Area Regional Transit Authority's Contributions
 Ohio Public Employees Retirement System (OPERS) - Combined Plan
 Last Ten Years

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Contractually required contribution | \$ 23,262 | \$ 21,945 | \$ 11,543 | \$ 9,701 | \$ 8,869 | \$ 8,410 | \$ 8,467 | \$ 8,113 | \$ 9,527 | \$ 14,369 |
| Contributions in relation to contractually required contribution | (23,262) | (21,945) | (11,543) | (9,701) | (8,869) | (8,410) | (8,467) | (8,113) | (9,527) | (14,369) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority covered employee payroll | \$ 178,938 | \$ 182,875 | \$ 96,192 | \$ 80,842 | \$ 67,752 | \$ 84,100 | \$ 84,670 | \$ 90,144 | \$ 112,082 | \$ 205,271 |
| Contributions as a percentage of covered employee payroll | 13.00% | 12.00% | 12.00% | 12.00% | 13.00% | 10.00% | 10.00% | 9.00% | 8.50% | 7.00% |



Statistical Section 2017

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 SARTA’s overall financial health.

Contents/Page Number

Financial Trends (Pages 74-75)

These schedules contain trend information to help the reader understand how SARTA’s financial performance and well-being have changed over a ten year period.

Revenue Capacity (Pages 76-78)

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

Operating Information (Pages 79-82)

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 83)

This schedule presents 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.

Economic and Demographic (Pages 84-91)

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 2017

(Unaudited)

Table 1 – Net Position

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

STARK AREA REGIONAL TRANSIT AUTHORITY
NET POSITION BY COMPONENT
LAST TEN YEARS
(Unaudited)

Table 1

| | 2017 | 2016 | 2015 | (Restated) 2014* | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| NET POSITION | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 48,654,323 | \$ 49,205,091 | \$ 36,746,495 | \$ 34,954,513 | \$ 34,143,696 | \$ 35,108,740 | \$ 28,659,037 | \$ 26,657,794 | \$ 22,070,412 | \$ 21,386,347 |
| Restricted | 209,739 | 106,799 | 125,918 | 230,753 | - | 100,000 | 38,899 | 38,899 | - | - |
| Unrestricted | 6,448,295 | 7,771,176 | 6,758,329 | 6,708,300 | 11,029,737 | 7,778,378 | 7,671,591 | 6,574,635 | 3,533,639 | 3,599,239 |
| TOTAL NET POSITION | \$ 55,312,357 | \$ 57,083,066 | \$ 43,630,742 | \$ 41,893,566 | \$ 45,173,433 | \$ 42,987,118 | \$ 36,369,527 | \$ 33,271,328 | \$ 25,604,051 | \$ 24,985,586 |

*2014 restated to comply with GASB 68

STARK AREA REGIONAL TRANSIT AUTHORITY
CHANGES IN NET POSITION
LAST TEN YEARS
(Unaudited)

Table 2

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| OPERATING REVENUES | | | | | | | | | | |
| Passenger Fares..... | \$ 1,148,401 | \$ 1,200,231 | \$ 1,348,373 | \$ 1,352,071 | \$ 1,141,471 | \$ 1,111,074 | \$ 1,069,426 | \$ 1,051,643 | \$ 1,052,755 | \$ 1,184,354 |
| Special Transit Fares..... | 978,456 | 1,024,495 | 990,281 | 821,161 | 654,311 | 553,229 | 684,507 | 529,091 | 491,479 | 480,272 |
| Auxiliary Transportation Revenue..... | 112,362 | 71,041 | 110,273 | 141,553 | 92,973 | 72,972 | 60,939 | 22,176 | 37,570 | 23,116 |
| TOTAL OPERATING REVENUES | 2,239,219 | 2,295,767 | 2,448,927 | 2,314,785 | 1,888,755 | 1,737,275 | 1,814,872 | 1,602,910 | 1,581,804 | 1,687,742 |
| OPERATING EXPENSES | | | | | | | | | | |
| Labor..... | \$ 7,922,433 | \$ 7,601,170 | \$ 7,142,492 | \$ 6,793,551 | \$ 6,396,815 | \$ 5,902,311 | \$ 5,808,570 | \$ 5,566,669 | \$ 5,898,232 | \$ 6,124,933 |
| Fringe Benefits..... | 8,672,802 | 6,783,211 | 5,858,125 | 5,317,403 | 4,853,118 | 4,785,964 | 4,221,636 | 4,143,021 | 4,844,810 | 4,591,727 |
| Materials & Supplies..... | 2,921,073 | 2,501,737 | 3,045,136 | 3,800,800 | 3,638,790 | 3,085,079 | 2,512,522 | 2,198,564 | 2,367,522 | 2,795,146 |
| ODOT Fuel Tax Reimbursement | (98,013) | (105,527) | (108,694) | (118,853) | (118,412) | (125,428) | (142,943) | - | - | - |
| Services..... | 1,454,817 | 1,313,963 | 1,375,355 | 890,085 | 1,146,558 | 998,807 | 884,687 | 728,318 | 570,908 | 541,850 |
| Utilities..... | 453,531 | 415,293 | 414,994 | 171,951 | 271,048 | 326,085 | 237,395 | 241,461 | 277,368 | 292,402 |
| Casualty & Liability..... | 498,287 | 683,314 | 476,012 | 521,659 | 465,550 | 388,802 | 368,469 | 617,237 | 377,719 | 341,309 |
| Leases & Rentals..... | 47,266 | 28,922 | 52,462 | 19,100 | 20,311 | 237 | 2,930 | 1,738 | 7,998 | 12,693 |
| Miscellaneous..... | 1,102,073 | 1,012,790 | 231,512 | 303,775 | 403,070 | 236,161 | 322,725 | 356,638 | 241,921 | 197,431 |
| TOTAL OPERATING EXPENSES | \$ 22,974,269 | \$ 20,234,873 | \$ 18,487,394 | \$ 17,699,471 | \$ 17,076,848 | \$ 15,598,018 | \$ 14,215,991 | \$ 13,853,646 | \$ 14,586,478 | \$ 14,897,491 |
| Before Depreciation Expense..... | \$ 22,974,269 | \$ 20,234,873 | \$ 18,487,394 | \$ 17,699,471 | \$ 17,076,848 | \$ 15,598,018 | \$ 14,215,991 | \$ 13,853,646 | \$ 14,586,478 | \$ 14,897,491 |
| OPERATING LOSS | | | | | | | | | | |
| Before Depreciation Expense..... | \$ (20,735,050) | \$ (17,939,106) | \$ (16,038,467) | \$ (15,384,686) | \$ (15,188,093) | \$ (13,860,743) | \$ (12,401,119) | \$ (12,250,736) | \$ (13,004,674) | \$ (13,209,749) |
| Depreciation Expense..... | 4,064,382 | 3,755,115 | 3,453,601 | 2,999,536 | 3,586,813 | 3,611,443 | 3,415,401 | 1,911,419 | 1,717,793 | 1,719,897 |
| OPERATING LOSS..... | \$ (24,799,432) | \$ (21,694,221) | \$ (19,492,068) | \$ (18,384,222) | \$ (18,774,906) | \$ (17,472,186) | \$ (15,816,520) | \$ (14,162,155) | \$ (14,722,467) | \$ (14,929,646) |
| NON OPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| Sales Tax Proceeds..... | \$ 15,231,084 | \$ 14,812,362 | \$ 14,573,689 | \$ 14,225,476 | \$ 13,008,940 | \$ 12,636,571 | \$ 12,017,178 | \$ 11,367,468 | \$ 10,408,166 | \$ 11,799,986 |
| Operating Grants and Reimbursements | 5,249,582 | 4,424,793 | 3,050,742 | 3,833,729 | 5,607,527 | 3,144,395 | 2,669,878 | - | - | - |
| Federal Preventative Maintenance..... | - | - | - | - | - | - | - | 1,841,668 | 1,909,366 | 2,089,920 |
| Federal Capital & Operating Grants..... | - | - | - | - | - | - | - | 2,010,817 | 656,624 | - |
| State Preventative Maintenance..... | - | - | - | - | - | - | - | 25,380 | 284,323 | 187,423 |
| Elderly & Disables Assistance..... | - | - | - | - | - | - | - | 372,917 | 346,642 | 498,892 |
| Federal Planning Grants..... | - | - | - | - | - | - | - | 190,354 | 35,290 | 127,683 |
| Investment/Interest Income..... | 40,546 | 67,488 | 17,604 | 37,692 | 17,720 | 9,979 | 1,534 | 19,799 | 230 | 1,329 |
| Interest Expense | - | - | - | - | - | - | - | - | (1,076) | (9,981) |
| Sales Tax Collection Expense..... | (148,633) | (148,124) | (145,737) | (144,995) | (130,089) | (125,115) | (120,172) | (112,509) | (104,082) | (118,000) |
| Gain (Loss) on Disposal..... | 12,366 | 675 | (58,557) | (1,944) | (45,339) | (75,508) | (16,379) | (13,259) | 2,667 | (4,693) |
| Non-transportation Revenue..... | 124,505 | 20,810 | 54,616 | 110,360 | 76,870 | 26,552 | 22,190 | 32,079 | 20,065 | 24,971 |
| Special Item*..... | - | - | - | - | - | - | - | (79,708) | (30,000) | (22,625) |
| NON OPERATING REVENUES/EXPENSES - NET... | \$ 20,509,450 | \$ 19,178,004 | \$ 17,492,357 | \$ 18,060,318 | \$ 18,535,629 | \$ 15,616,874 | \$ 14,574,229 | \$ 15,655,006 | \$ 13,528,215 | \$ 14,574,905 |
| CAPITAL GRANT REVENUE | | | | | | | | | | |
| Federal Capital Grant..... | \$ 2,519,273 | \$ 15,968,541 | \$ 3,736,887 | \$ 3,059,094 | \$ 2,425,592 | \$ 5,391,151 | \$ 4,203,691 | \$ 5,674,426 | \$ 1,812,717 | \$ 1,724,239 |
| State/Local Capital Grant..... | - | - | - | - | - | 2,981,752 | 97,900 | 500,000 | - | - |
| Restricted Federal Capital Grant | - | - | - | 230,753 | - | 100,000 | 38,899 | - | - | - |
| TOTAL CAPITAL GRANTS..... | \$ 2,519,273 | \$ 15,968,541 | \$ 3,736,887 | \$ 3,289,847 | \$ 2,425,592 | \$ 8,472,903 | \$ 4,340,490 | \$ 6,174,426 | \$ 1,812,717 | \$ 1,724,239 |
| CHANGE IN NET POSITION..... | \$ (1,770,709) | \$ 13,452,324 | \$ 1,737,176 | \$ 2,965,943 | \$ 2,186,315 | \$ 6,617,591 | \$ 3,098,199 | \$ 7,667,277 | \$ 618,465 | \$ 1,369,498 |

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



Revenue Capacity Information 2017

(Unaudited)

Table 3 – Revenue Base

Table 4 – Passenger Revenue Rates

Table 5 – Sales Tax Revenue

STARK AREA REGIONAL TRANSIT AUTHORITY

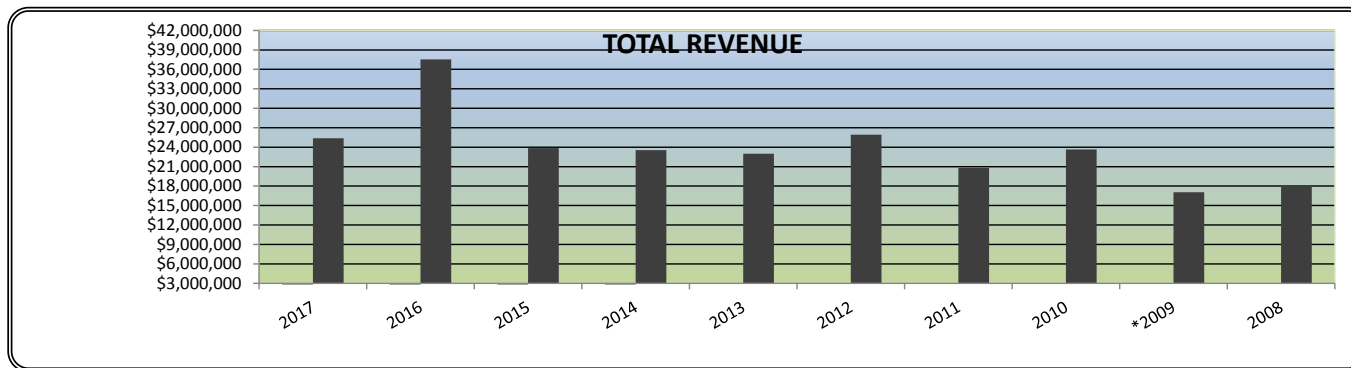
REVENUE BASE

LAST TEN YEARS

(Unaudited)

Table 3

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | *2009 | 2008 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| FARES | \$2,239,219 | \$2,295,767 | \$2,448,927 | \$2,314,785 | \$1,888,755 | \$1,737,275 | \$1,814,872 | \$1,580,734 | \$1,544,234 | \$1,664,626 |
| SALES TAX | \$15,231,084 | \$14,812,362 | \$14,573,689 | \$14,225,476 | \$13,008,940 | \$12,636,571 | \$12,017,178 | \$11,367,468 | \$10,408,166 | \$11,799,986 |
| FEDERAL: | | | | | | | | | | |
| Operating Grants | \$5,249,582 | \$4,424,793 | \$3,050,742 | \$3,833,729 | \$5,607,527 | \$3,144,395 | \$2,669,878 | \$553,684 | \$643,655 | \$0 |
| Capital Grant Reimbursements | \$2,519,273 | \$15,968,541 | \$3,736,887 | \$3,059,094 | \$2,425,592 | \$5,391,151 | \$4,203,691 | \$9,163,581 | \$3,770,342 | \$3,941,842 |
| STATE: | | | | | | | | | | |
| Special Fare Assistance | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$372,917 | \$346,642 | \$498,892 |
| Capital Grant Reimbursements | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$525,380 | \$284,323 | \$187,423 |
| LOCAL: | | | | | | | | | | |
| Reimbursement | \$0 | \$0 | \$0 | \$0 | \$0 | \$2,981,752 | \$97,900 | \$0 | \$0 | \$0 |
| Nontransportation | \$124,505 | \$20,810 | \$54,616 | \$110,360 | \$76,870 | \$26,522 | \$22,190 | \$32,079 | \$20,065 | \$24,971 |
| Misc Income | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$41,975 | \$37,800 | \$24,445 |
| | \$25,363,663 | \$37,522,273 | \$23,864,861 | \$23,543,444 | \$23,007,684 | \$25,917,666 | \$20,825,709 | \$23,637,818 | \$17,055,227 | \$18,142,185 |



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

**STARK AREA REGIONAL TRANSIT AUTHORITY
PASSENGER REVENUE RATES
(As of December 31, 2017)
(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 | | |
| CLEVELAND FIXED ROUTE | | \$2.50 | | |

Note:

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

Reduced Fixed Fare – For passengers 65 years or older, those with disability, or Medicare cardholders. For the \$.75 cash fares, riders should show documentation, or buy tickets from Customer Service.

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.

Student Fixed 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 \$1.50 unless showing a 31-Day Pass, Day Pass or Transfer.

Non-ADA Proline – (1) For passengers who do not have a client number and who are merely accompanying a Proline rider. (2) For seniors, 65 or older without a Proline number, who arranges a ride through Proline (based on availability) No charge.

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

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

Cleveland Fixed Fare – Single ride tickets also work with Cleveland RTA lines.

Children – Passengers ages 5 and under, accompanied by an adult, ride for free.

STARK AREA REGIONAL TRANSIT AUTHORITY
SALES TAX REVENUE
LAST TEN YEARS
(Unaudited)

Table 5

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SALES TAX REVENUE | \$15,231,084 | \$14,812,362 | \$14,573,689 | \$14,225,476 | \$13,008,940 | \$12,636,571 | \$12,017,178 | \$11,367,468 | \$10,408,166 | \$11,799,986 |
| POPULATION* | 372,542 | 375,586 | 375,165 | 375,584 | 375,895 | 374,868 | 375,087 | 375,417 | 379,466 | 379,214 |
| SALES TAX PER CAPITA | \$40.88 | \$39.44 | \$38.85 | \$37.88 | \$34.61 | \$33.71 | \$32.04 | \$30.28 | \$27.43 | \$31.12 |

* Population

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

| | | |
|------|---|--|
| 2012 | http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=PEP_2012_PEPANNRES | (US Census only has population up to 2012) |
| 2013 | http://quickfacts.census.gov/qof/stats/39/39151.html | (US Census only has population up to 2012) |
| 2014 | http://quickfacts.census.gov/qof/stats.html | (US Census only has population up to 2012) |
| 2017 | https://factfinder.census.gov | |



Operating Information 2017

(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
EMPLOYEES AND LABOR CLASSIFICATION
LAST TEN YEARS
(Unaudited)

Table 6

| CLASSIFICATION / YEAR | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| VEHICLE OPERATIONS | 162 | 163 | 165 | 165 | 159 | 159 | 132 | 144 | 137 | 143 |
| VEHICLE MAINTENANCE | 31 | 28 | 28 | 29 | 20 | 20 | 28 | 28 | 28 | 28 |
| NON-VEHICLE MAINTENANCE | 4 | 3 | 3 | 4 | 3 | 3 | 3 | 3 | 2 | 3 |
| GENERAL ADMINISTRATION | 19 | 19 | 19 | 18 | 23 | 23 | 18 | 16 | 12 | 13 |
| TOTAL OPERATING LABOR | 216 | 213 | 215 | 216 | 205 | 205 | 181 | 191 | 179 | 187 |
| TOTAL CAPITAL LABOR | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 |
| TOTAL LABOR | 216 | 213 | 215 | 216 | 205 | 205 | 181 | 191 | 179 | 196 |

Data compiled from SARTA Payroll and Human Resource reports

STARK AREA REGIONAL TRANSIT AUTHORITY
OPERATING INDICATORS
LAST TEN YEARS
(Unaudited)

Table 7

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| <u>System Ridership</u> | | | | | | | | | | |
| Fixed Route | 2,239,560 | 2,311,193 | 2,499,409 | 2,639,702 | 2,530,749 | 2,502,299 | 2,309,425 | 1,959,470 | 1,995,218 | 2,303,725 |
| Paratransit | 162,339 | 171,493 | 136,901 | 140,747 | 138,147 | 139,992 | 128,034 | 128,905 | 138,217 | 148,193 |
| Shuttles and Specials | 21,619 | 29,949 | 44,937 | 26,034 | 22,129 | 16,607 | 10,636 | 19,958 | 30,702 | 78,012 |
| <u>Average Weekday System Ridership</u> | | | | | | | | | | |
| Fixed Route | 7,111 | 8,038 | 9,009 | 10,398 | 9,152 | 8,719 | 8,053 | 6,940 | 7,187 | 7,828 |
| Paratransit | 632 | 617 | 552 | 497 | 497 | 455 | 457 | 461 | 495 | 523 |
| <u>Average Weekday Miles Operated</u> | | | | | | | | | | |
| Fixed Route | 7,767 | 7,988 | 8,850 | 8,740 | 8,812 | 8,695 | 7,592 | 7,465 | 7,800 | 7,899 |
| Paratransit | 5,307 | 5,390 | 5,672 | 5,852 | 4,620 | 4,404 | 3,905 | 4,176 | 3,752 | 3,912 |
| <u>Revenue Miles</u> | | | | | | | | | | |
| Fixed Route | 2,262,229 | 2,249,630 | 2,247,849 | 2,237,394 | 2,208,234 | 2,119,345 | 2,256,733 | 2,116,316 | 2,324,483 | 2,518,321 |
| Paratransit | 1,307,673 | 1,384,210 | 1,440,588 | 1,498,092 | 1,138,653 | 1,132,028 | 977,902 | 1,026,751 | 1,207,790 | 1,118,488 |
| <u>Passenger Miles</u> | | | | | | | | | | |
| Fixed Route | 15,613,135 | 18,696,527 | 12,738,406 | 12,789,633 | 12,789,633 | 12,616,719 | 11,464,591 | 9,916,934 | 10,149,079 | 11,540,775 |
| Paratransit | 1,826,865 | 1,498,475 | 1,221,319 | 1,283,190 | 1,283,190 | 1,221,319 | 1,201,757 | 1,193,861 | 1,340,807 | 1,475,840 |
| <u>Energy Consumption</u> | | | | | | | | | | |
| Gallons of CNG & diesel/biodiesel | 646,626 | 575,555 | 638,703 | 622,585 | 576,992 | 573,162 | 529,331 | 534,326 | 575,616 | 612,542 |
| Cost | 857,572 | 755,981 | 1,173,285 | 1,709,986 | 1,882,758 | 1,841,540 | \$1,603,873 | \$1,245,736 | \$1,486,250 | \$1,886,629 |
| Avg Cost Per Gallon | \$1.33 | \$1.31 | \$1.84 | \$2.75 | \$3.26 | \$3.21 | \$3.03 | \$2.33 | \$2.58 | \$3.08 |
| <u>Fleet Requirement</u> | | | | | | | | | | |
| Fixed Route | 36 | 33 | 34 | 34 | 34 | 34 | 34 | 32 | 35 | 38 |
| Paratransit | 30 | 30 | 26 | 23 | 23 | 23 | 23 | 23 | 23 | 25 |
| <u>Total Active Vehicles</u> | | | | | | | | | | |
| Fixed Route | 50 | 52 | 38 | 43 | 43 | 39 | 38 | 38 | 40 | 82 |
| Paratransit | 52 | 42 | 42 | 41 | 41 | 41 | 42 | 42 | 43 | 42 |
| <u>Number of Employees</u> | | | | | | | | | | |
| Full Time Equivalent | 216 | 213 | 215 | 216 | 205 | 205 | 181 | 191 | 179 | 196 |

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

Table 8

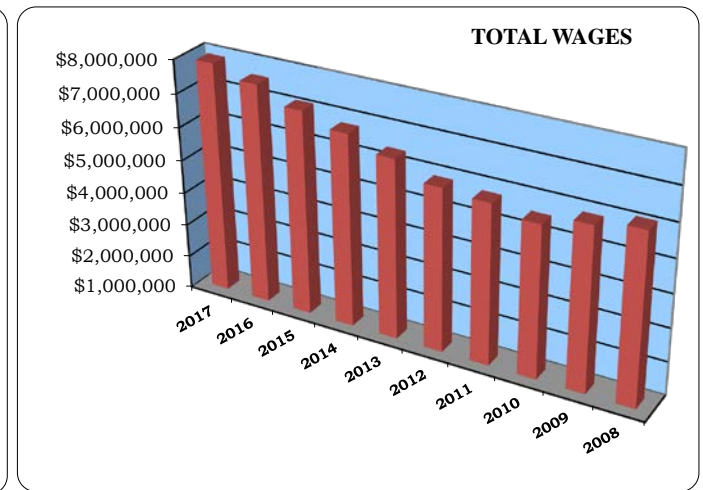
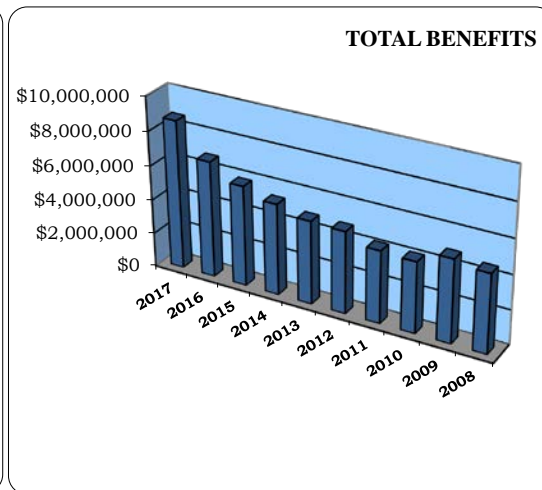
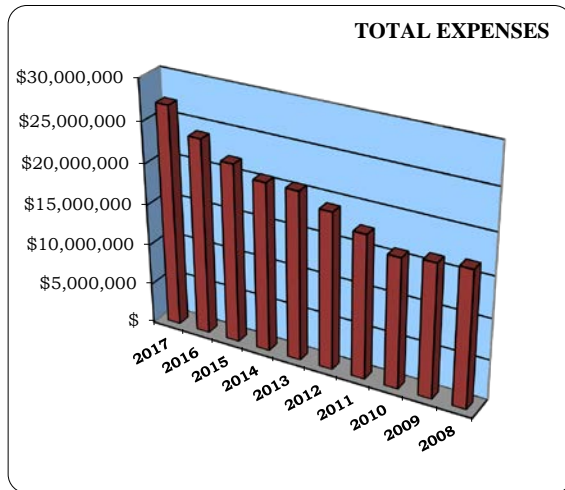
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Labor | \$7,922,433 | \$7,601,170 | \$7,142,492 | \$6,793,551 | \$6,396,815 | \$5,902,311 | \$5,808,570 | \$5,566,669 | \$5,898,232 | \$6,124,933 |
| Fringe Benefits | \$8,672,802 | \$6,783,211 | \$5,858,125 | \$5,317,403 | \$4,853,118 | \$4,785,964 | \$4,221,636 | \$4,143,021 | \$4,844,810 | \$4,591,727 |
| General & Administrative | \$6,379,034 | \$5,850,492 | \$5,486,777 | \$5,588,517 | \$5,826,915 | \$4,909,743 | \$4,185,785 | \$4,349,432 | \$3,978,594 | \$4,331,437 |
| Depreciation | \$4,064,382 | \$3,755,115 | \$3,453,601 | \$2,999,536 | \$3,586,813 | \$3,611,443 | \$3,415,401 | \$1,911,419 | \$1,717,793 | \$1,719,897 |
| | \$27,038,651 | \$23,989,988 | \$21,940,995 | \$20,699,007 | \$20,663,661 | \$19,209,461 | \$17,631,392 | \$15,970,541 | \$16,439,429 | \$16,767,994 |

**EXPENSES BY OBJECT - LAST TEN YEARS
(Unaudited)**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Wages | \$7,922,433 | \$7,601,170 | \$7,142,492 | \$6,793,551 | \$6,396,815 | \$5,902,311 | \$5,808,570 | \$5,566,669 | \$5,898,232 | \$6,124,933 |
| Benefits | \$8,672,802 | \$6,783,211 | \$5,858,125 | \$5,317,403 | \$4,853,118 | \$4,785,964 | \$4,221,636 | \$4,143,021 | \$4,844,810 | \$4,591,727 |
| Services | \$1,454,817 | \$1,313,963 | \$1,375,355 | \$890,085 | \$1,146,558 | \$998,807 | \$884,687 | \$728,318 | \$570,908 | \$541,850 |
| Supplies ** | \$2,823,060 | \$2,396,210 | \$2,936,442 | \$3,681,947 | \$3,520,378 | \$2,959,651 | \$2,369,740 | \$2,198,564 | \$2,367,522 | \$2,795,146 |
| Utilities | \$453,531 | \$415,293 | \$414,994 | \$171,951 | \$271,048 | \$326,085 | \$237,395 | \$241,461 | \$277,368 | \$292,402 |
| Casualty & Liability ** | \$498,287 | \$683,314 | \$476,012 | \$521,659 | \$465,550 | \$388,802 | \$368,469 | \$617,237 | \$377,719 | \$341,309 |
| Depreciation | \$4,064,382 | \$3,755,115 | \$3,453,601 | \$2,999,536 | \$3,586,813 | \$3,611,443 | \$3,415,401 | \$1,911,419 | \$1,717,793 | \$1,719,897 |
| Miscellaneous Expenses | \$1,149,339 | \$1,041,712 | \$283,974 | \$322,875 | \$423,381 | \$236,398 | \$325,494 | \$563,852 | \$385,077 | \$360,730 |
| Total Expenses | \$27,038,651 | \$23,989,988 | \$21,940,995 | \$20,699,007 | \$20,663,661 | \$19,209,461 | \$17,631,392 | \$15,970,541 | \$16,439,429 | \$16,767,994 |

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

** Later years reflect rising insurance & fuel costs.



**STARK AREA REGIONAL TRANSIT AUTHORITY
CAPITAL ASSET STATISTICS
LAST TEN YEARS
(Unaudited)**

Table 9

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Revenue Vehicle Inventory | | | | | | | | | | |
| Heavy Duty Vehicles | 50 | 52 | 38 | 43 | 43 | 39 | 38 | 38 | 40 | 82 |
| Light Duty Vehicles | 52 | 42 | 42 | 41 | 41 | 41 | 42 | 42 | 43 | 42 |
| Total Revenue Vehicle Inventory | 102 | 94 | 102 | 102 | 84 | 80 | 80 | 80 | 83 | 124 |
| Administration/Maintenance Buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transit Stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 |

Data compiled from SARTA inventory count



Debt Capacity Information 2017

(Unaudited)

Table 10 – Debt Service

STARK AREA REGIONAL TRANSIT AUTHORITY
DEBT SERVICE
LAST TEN YEARS
(Unaudited)

Table 10

| YEAR | REVENUES (1) | EXPENSES (2) | AVAILABLE FOR DEBT SERVICE | PRINCIPAL | INTEREST | DEBT (3) | COVERAGE |
|------|--------------|--------------|----------------------------|-----------|----------|-----------|----------|
| 2017 | \$25,416,575 | \$23,122,902 | \$2,293,673 | | | | |
| 2016 | \$37,590,436 | \$20,382,997 | \$17,207,439 | | | | |
| 2015 | \$23,882,164 | \$18,691,387 | \$5,190,777 | | | | |
| 2014 | \$23,811,889 | \$17,927,848 | \$5,884,041 | | | | |
| 2013 | \$23,025,404 | \$17,122,187 | \$5,903,217 | | | | |
| 2012 | \$25,827,052 | \$15,598,018 | \$10,229,034 | | | | |
| 2011 | \$20,729,589 | \$14,473,148 | \$6,256,441 | | | | |
| 2010 | \$23,637,818 | \$14,059,122 | \$9,578,696 | | | | |
| 2009 | \$17,055,227 | \$14,721,636 | \$2,333,591 | | | | |
| 2008 | \$18,142,185 | \$15,052,791 | \$3,089,394 | \$398,908 | \$9,981 | \$408,889 | 7.56% |

(1) Gross revenues include interest, planning grants, special fares assistance, local grants, gain on disposal of capital asset, 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.

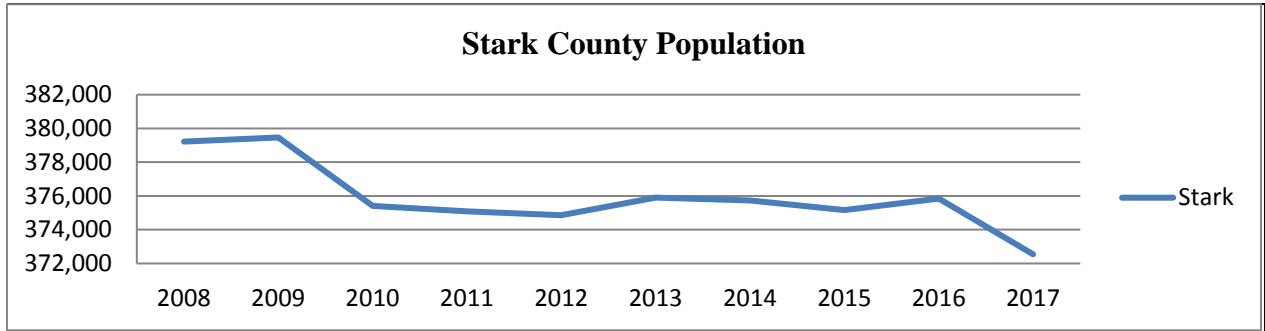


Economic & Demographic Information 2017

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

ECONOMIC CONDITION AND OUTLOOK (Unaudited)

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.



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Stark | 379,214 | 379,466 | 375,417 | 375,087 | 374,868 | 375,895 | 375,584 | 375,165 | 375,586 | 372,542 |

1

Ten years ago manufacturing jobs drove the economy in Stark County. During the past ten years Stark County has transitioned from a manufacturing base to a health, education, and social services based economy. According to estimates from the U.S. Bureau of Labor Statistics manufacturing jobs declined by nearly a third from 2003 to 2012. Business is moving forward into the new economy with a focus on companies in advanced manufacturing and new emerging technologies such as Fuel Cells, Wind Energy and Oil Shale exploration and development. In addition, the number and variety of national and international companies, such as Timken and Diebold, with facilities in Stark County is also a testimony to the growing strength of the area’s business environment.

The Unemployment rate continues to trend upwards despite the growth in non-manufacturing jobs. The jobs created by the non-manufacturing sector have not been numerous enough to outpace the loss of manufacturing jobs. The Stark County unemployment rate for 2017 was 5.0 % ² compared with the national average of 4.1%.³

¹ Source: Stark County Quick facts from the US Census Bureau [Link: http://quickfacts.census.gov](http://quickfacts.census.gov)

² <http://data.bls.gov/map/MapToolServlet>

³ <http://data.bls.gov/timeseries/LNS14000000>

Stark County Major Employers

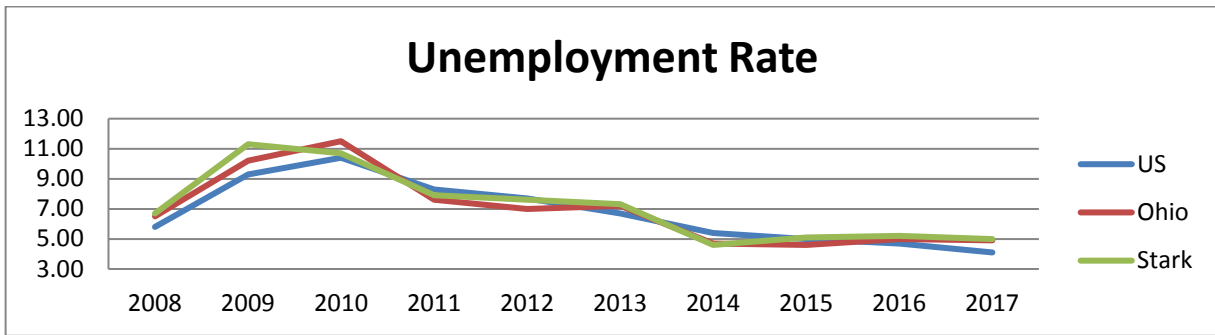
PRIOR YEAR AND NINE YEARS AGO

| 2016 Employers* ¹ | Nature of Business | Employees | Percentage of Total City Employment |
|--|----------------------------|-----------|---|
| Aultman Hospital | Health Care | 5,000 | 15.95 |
| Stark County | Governmental | 2,577 | 8.22 |
| Mercy Medical | Health Care | 2,550 | 8.13 |
| Timken Steel | Steel | 2,500 | 7.97 |
| Canton City School | Education | 1,077 | 3.44 |
| City of Canton | Municipal Government | 906 | 2.89 |
| Fresh mark, Inc. | Meat Processing | 866 | 2.76 |
| MK Morse Co | Saw Blades and Accessories | 439 | 1.40 |
| Republic Engineer | Manufacturing, Steel | 440 | 1.40 |
| Nationwide | Insurance Provider | 320 | 1.02 |
| Total | | 16,675 | 53.18% |
| Estimated Total Employment within the City | | 31,349 | |

| 2007 Employers* ² | Nature of Business | Employees | Percentage of Total City Employment |
|--|-------------------------|-----------|---|
| Aultman Hospital | Health Care | 4,982 | 16.92 |
| The Timken Co. | Tapered roller bearings | 2,571 | 8.73 |
| Mercy Medical | Health Care | 2,367 | 8.04 |
| Canton City School | Education | 1,849 | 6.28 |
| Stark County | County Government | 1,169 | 3.97 |
| City of Canton | Municipal Government | 1,135 | 3.85 |
| Nationwide | Insurance Provider | 760 | 2.58 |
| Fresh Mark Inc. | Meat Processing | 720 | 2.44 |
| Republic Engineer | Manufacturing, Steel | 531 | 1.80 |
| United States Postal | Federal Government | 470 | 1.60 |
| Total | | 16,554 | 56.21% |
| Estimated Total Employment within the City | | 29,453 | |

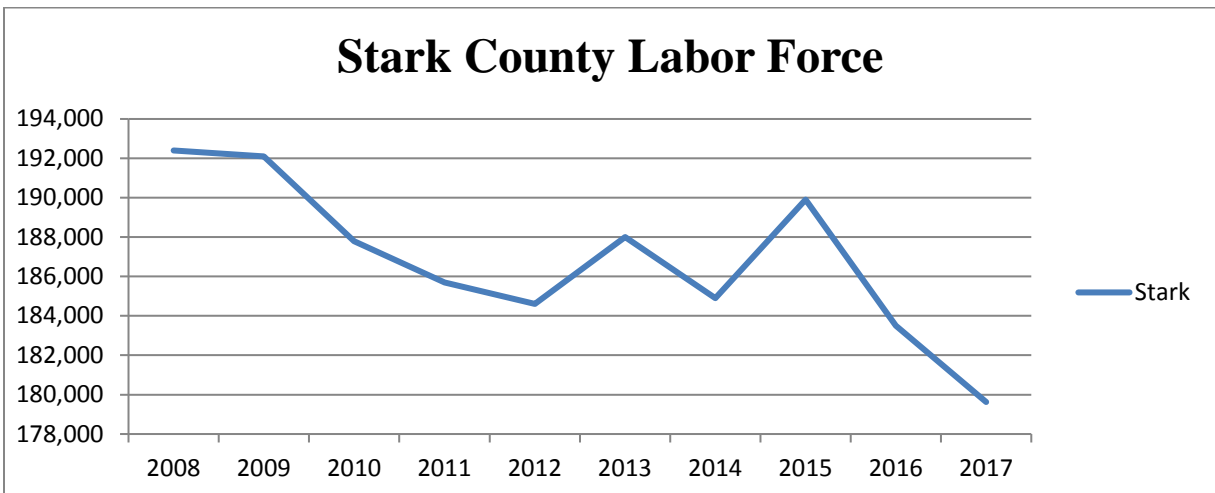
*1 - Source: <http://www.cantonohio.gov/auditor/pdf/2016>

*2 - Source: <http://www.cantonohio.gov/auditor/pdf/2007>
(Information not updated for 2017)



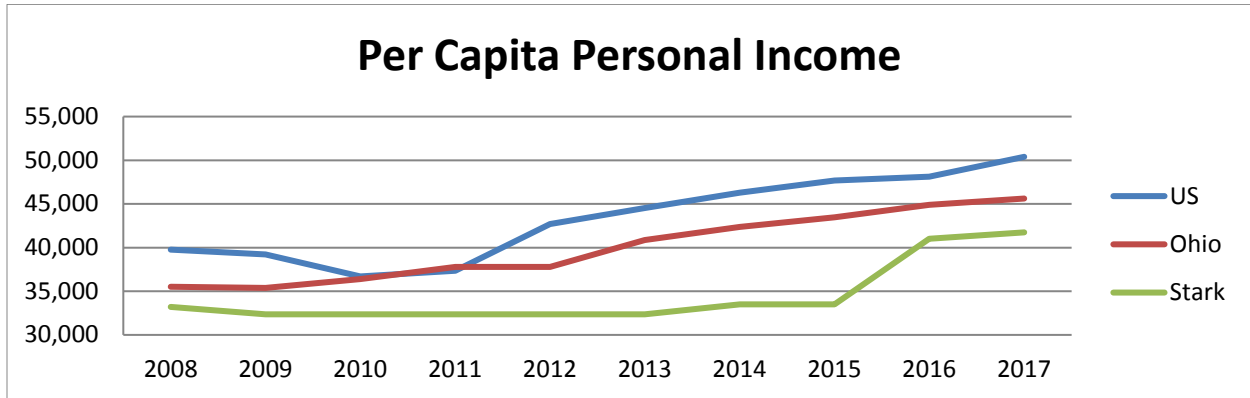
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|------|------|------|------|------|------|------|------|------|------|
| US | 5.8 | 9.3 | 10.4 | 8.3 | 7.7 | 6.7 | 5.4 | 5.0 | 4.7 | 4.1 |
| Ohio | 6.5 | 10.2 | 11.5 | 7.6 | 7 | 7.2 | 4.7 | 4.6 | 5.0 | 4.9 |
| Stark | 6.7 | 11.3 | 10.7 | 7.9 | 7.6 | 7.3 | 4.6 | 5.1 | 5.2 | 5.0 |

Source: Bureau of Labor Statistics - <http://jfs.ohio.gov/RELEASES/unemp/201401/index.stm>
 Source: <http://jfs.ohio.gov/county/index.stm>
 Source - <http://jfs.ohio.gov/county/cntypro/pdf13/Stark.stm>



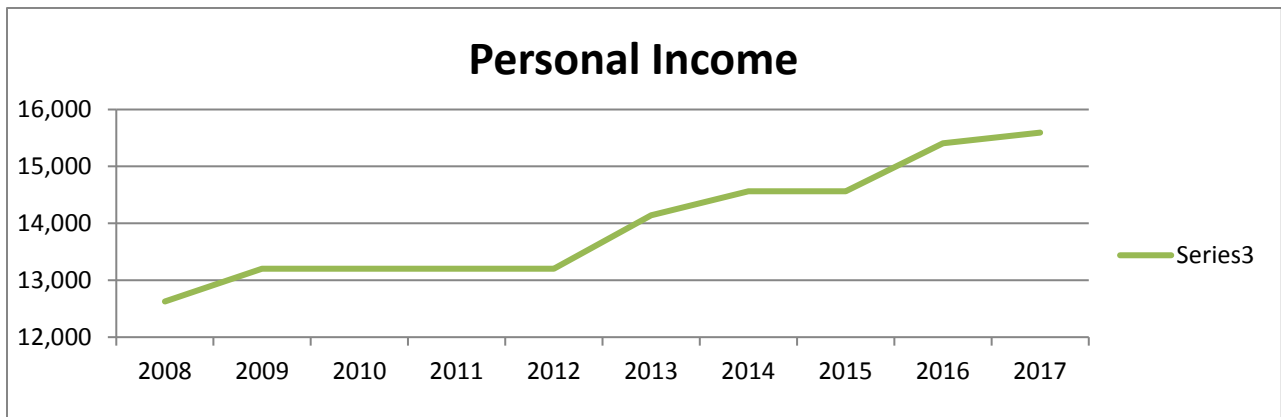
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Stark | 192,400 | 192,100 | 187,800 | 185,700 | 184,600 | 188,000 | 184,908 | 189,900 | 183,500 | 179,626 |

Source: datausa.io/profile/geo/stark-county-oh



| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| US | 39,751 | 39,212 | 36,697 | 37,345 | 42,693 | 44,543 | 46,280 | 47,669 | 48,111 | 50,392 |
| Ohio | 35,511 | 35,381 | 36,395 | 37,791 | 37,791 | 40,865 | 42,377 | 43,478 | 44,876 | 45,615 |
| Stark | 33,221 | 32,356 | 32,356 | 32,356 | 32,356 | 32,356 | 33,488 | 33,488 | 41,026 | 41,741 |

Source: Bureau of Economic Analysis, US Department of Commerce



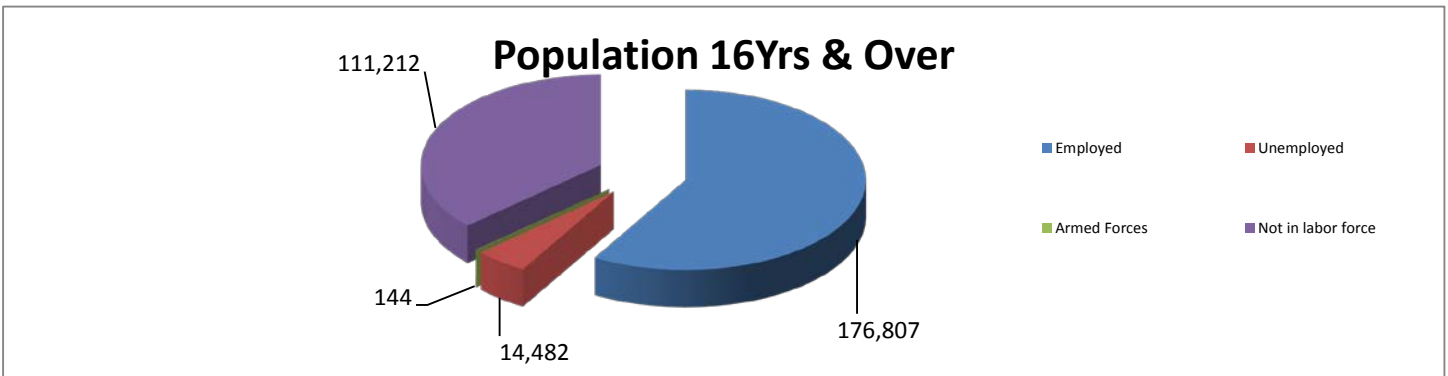
Personal Income

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| US | 12,233,500 | 12,097,700 | 12,701,052 | 13,105,700 | 13,602,600 | 14,309,800 | 14,882,192 | 15,551,891 | 15,463,981 | 16,413,550 |
| Ohio | 407,874 | 407,874 | 425,614 | 436,297 | 436,297 | 472,845 | 487,030 | 501,641 | 521,208 | 531,810 |
| Stark Co | 12,627 | 13,201 | 13,201 | 13,201 | 13,201 | 14,141 | 14,565 | 14,565 | 15,408 | 15,594 |

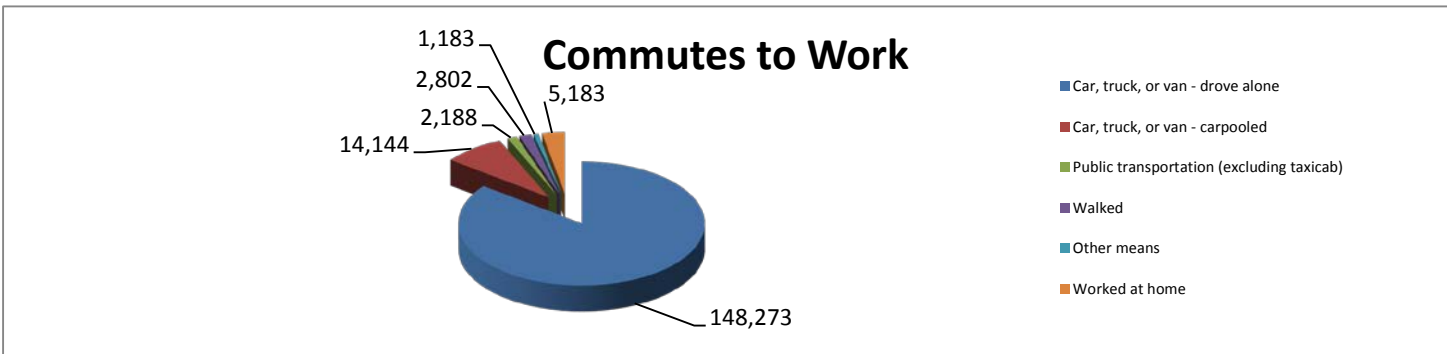
Source: Bureau of Economic Analysis, US Department of Commerce - Link: www.bea.gov

STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
2016 Community Survey*
 US Census Bureau / American Fact Finder
 (Unaudited)

| Employment Status | Number | Percent |
|-------------------------------------|----------------|----------------|
| Population 16 Years and Over | 302,645 | 100% |
| Employed | 176,807 | 58.42% |
| Unemployed | 14,482 | 4.78% |
| Armed Forces | 144 | 0.05% |
| Not in labor force | 111,212 | 36.75% |



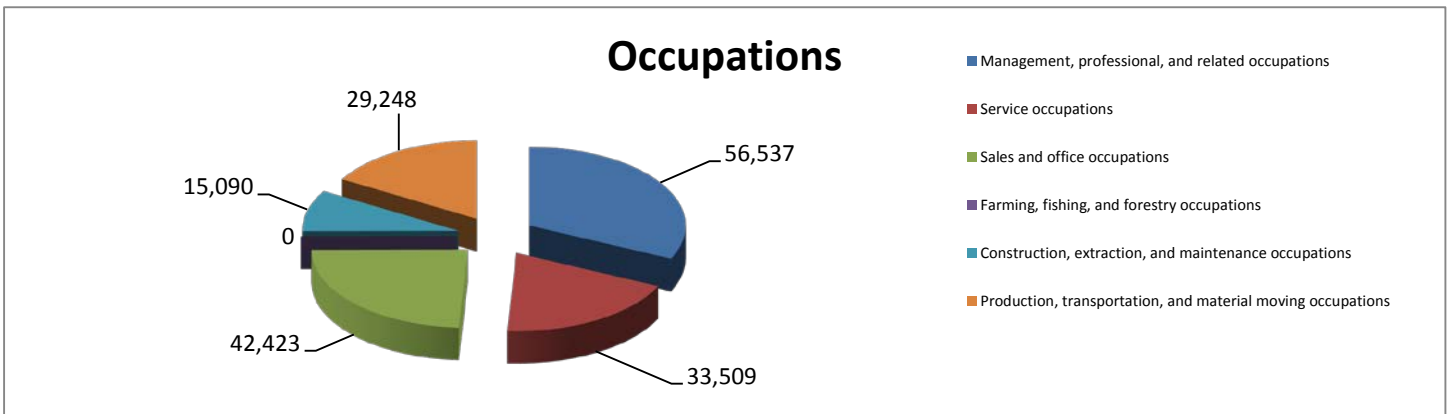
| Commuting to Work | Number | Percent |
|---|----------------|----------------|
| Workers 16 years and over | 173,773 | 100% |
| Car, truck, or van - drove alone | 148,273 | 85.33% |
| Car, truck, or van - carpooled | 14,144 | 8.14% |
| Public transportation (excluding taxicab) | 2,188 | 1.26% |
| Walked | 2,802 | 1.61% |
| Other means | 1,183 | 0.68% |
| Worked at home | 5,183 | 2.98% |
| Mean travel time to work (minutes) | 21.8 | |



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
 2016 Community Survey*
 (Unaudited)

DEMOGRAPHICS (CONTINUED)

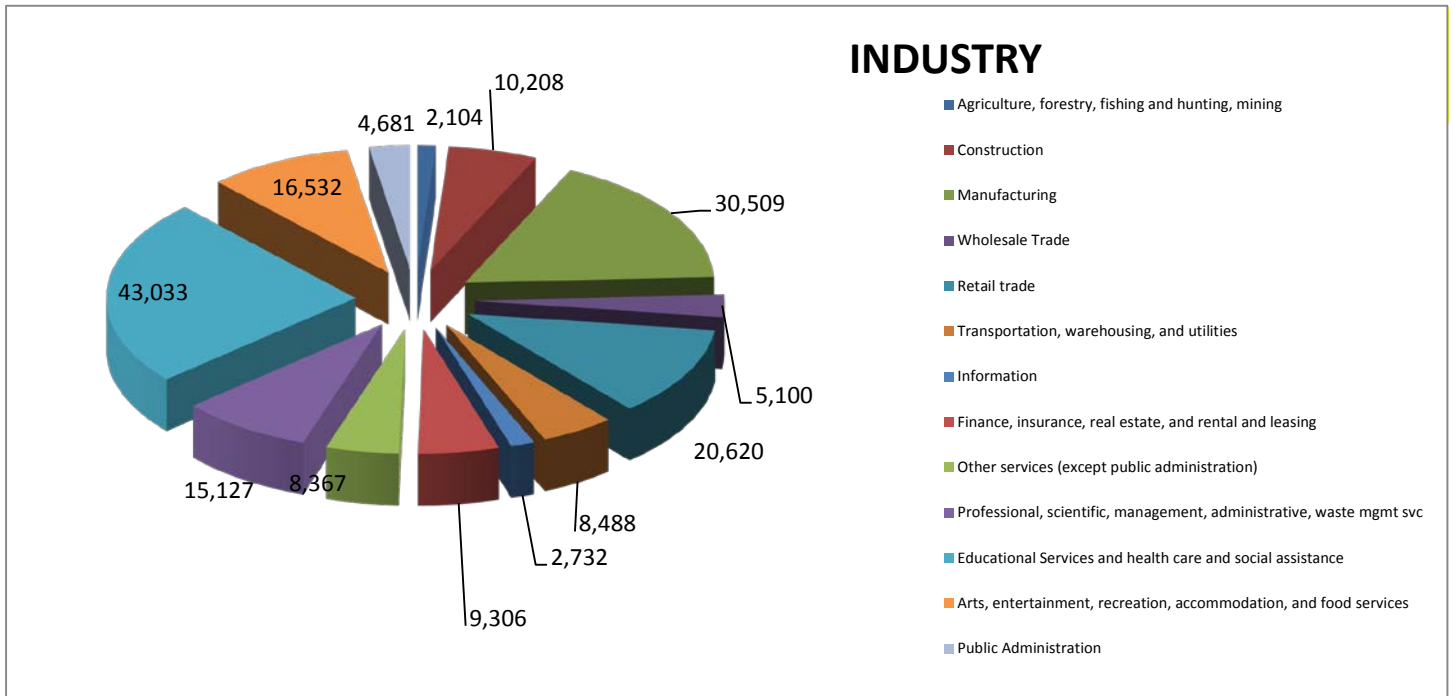
| Occupation | | |
|---|----------------|-------------|
| Employed Civilian Population 16 Years and Over | 176,807 | 100% |
| Management, professional, and related occupations | 56,537 | 31.98% |
| Service occupations | 33,509 | 18.95% |
| Sales and office occupations | 42,423 | 23.99% |
| Farming, fishing, and forestry occupations | 0 | 0.00% |
| Construction, extraction, and maintenance occupations | 15,090 | 8.54% |
| Production, transportation, and material moving occupations | 29,248 | 16.54% |



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
 2016 Community Survey*
 (Unaudited)

DEMOGRAPHICS (CONTINUED)

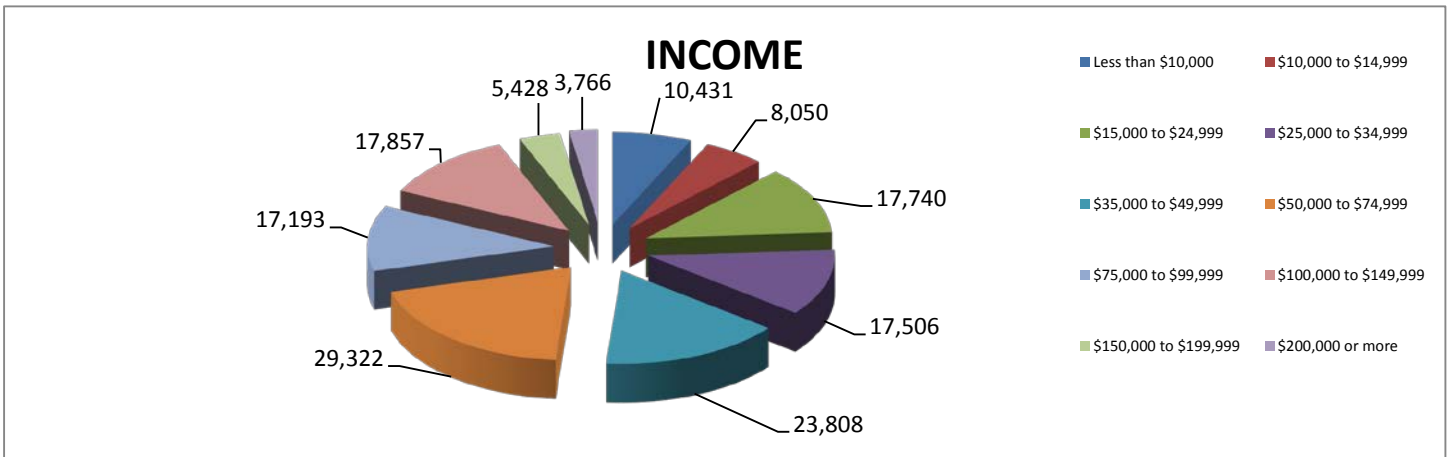
| Industry | | |
|--|----------------|-------------|
| Employed Civilian Population 16 Years and Over | 176,807 | 100% |
| Agriculture, forestry, fishing and hunting, mining | 2,104 | 1.19% |
| Construction | 10,208 | 5.77% |
| Manufacturing | 30,509 | 17.26% |
| Wholesale Trade | 5,100 | 2.88% |
| Retail trade | 20,620 | 11.66% |
| Transportation, warehousing, and utilities | 8,488 | 4.80% |
| Information | 2,732 | 1.55% |
| Finance, insurance, real estate, and rental and leasing | 9,306 | 5.26% |
| Other services (except public administration) | 8,367 | 4.73% |
| Professional, scientific, management, administrative, waste mgmt svc | 15,127 | 8.56% |
| Educational Services and health care and social assistance | 43,033 | 24.34% |
| Arts, entertainment, recreation, accommodation, and food services | 16,532 | 9.35% |
| Public Administration | 4,681 | 2.65% |



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
 2016 Community Survey*
 (Unaudited)

DEMOGRAPHICS (CONTINUED)

| Households | Income | | |
|-----------------------------------|---------------|----------------|-------------|
| | | 151,101 | 100% |
| Less than \$10,000 | | 10,431 | 6.90% |
| \$10,000 to \$14,999 | | 8,050 | 5.33% |
| \$15,000 to \$24,999 | | 17,740 | 11.74% |
| \$25,000 to \$34,999 | | 17,506 | 11.59% |
| \$35,000 to \$49,999 | | 23,808 | 15.76% |
| \$50,000 to \$74,999 | | 29,322 | 19.40% |
| \$75,000 to \$99,999 | | 17,193 | 11.38% |
| \$100,000 to \$149,999 | | 17,857 | 11.82% |
| \$150,000 to \$199,999 | | 5,428 | 3.59% |
| \$200,000 or more | | 3,766 | 2.49% |
| Median household income (dollars) | | 48,714 | |



*2017 US Census survey results not available at time of reporting.

Source: U.S. Census Bureau, 2012-2016 American Community Survey

<http://factfinder2.census.gov/>