

**Stark Area Regional Transit Authority
Comprehensive Annual
Financial Report
for the years ended
December 31, 2019 and 2018**

2019
Stark Area Regional Transit Authority
Stark County
Canton, Ohio



Comprehensive Annual Financial Report
For Fiscal Years Ended December 31, 2019 and 2018

Ron Macala
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

1600 Gateway Blvd. SE, Canton, Ohio 44707

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SARTAonline.com

Comprehensive Annual Financial Report For the Fiscal Years Ended December 31, 2019 and 2018

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Introductory Section 2019

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



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June 25, 2020

Mr. Ron Macala, 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, 2019.

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 four 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, prior year GFOA certificate 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 **RSI SECTION** contains the schedule of the Authority's proportionate share of net pension liability, net pension asset, and net OPEB liability for the last ten years.

The **STATISTICAL SECTION** consists of financial and economic 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, 2018. 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

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

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.

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, 2019.

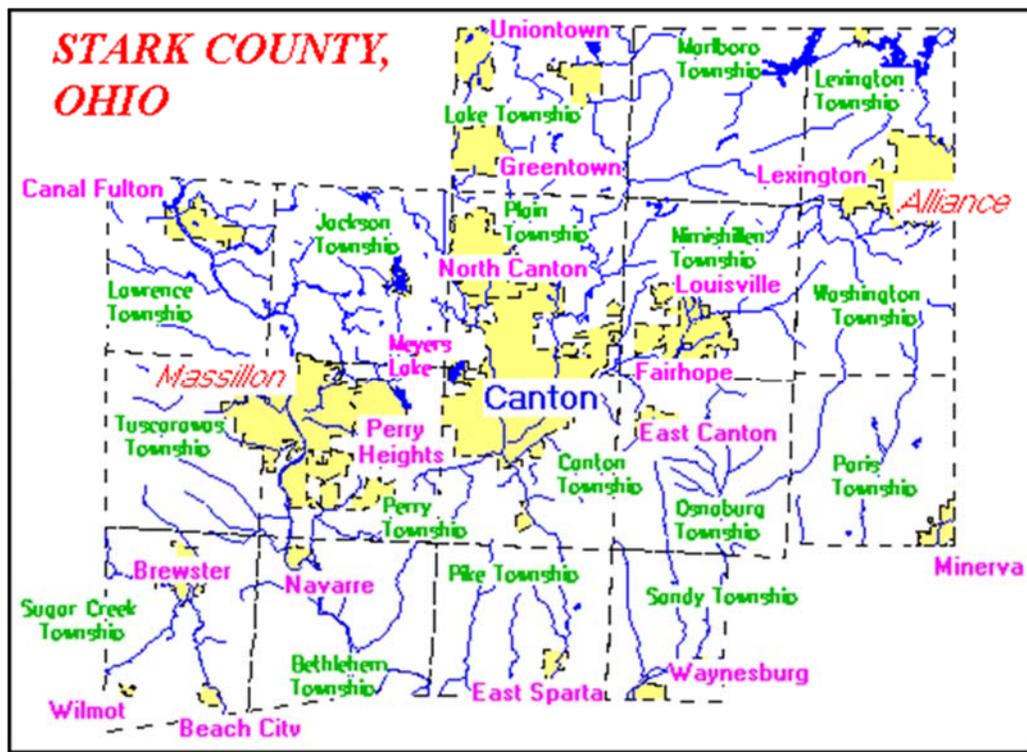
Stark County, Ohio



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 eighteen 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 370,606, 2019 Census estimate, was created in 1997 with the passage of Issue 2. SARTA is a political 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 2.3 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 ten years, which provides for approximately 55 percent of the operating funds for SARTA. In October 2018, the Board adopted the new vision for SARTA as an overall guide for the Authority. SARTA will accomplish this by:

1. Operating within budget and in a financially responsible manner
2. Enhancing quality of life through personal independence
3. Offering mobility options to meet the diverse needs of the public
4. Creating an environment supporting professional development to ensure a dynamic workforce operating according to the highest ethical standards
5. Continuing our efforts to utilize alternative energy sources for our fleet and facility

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

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 16 of the introductory section.

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 foot garage houses 47 Fixed buses, 53 Paratransit buses, 1 Trolley bus and 15 Support vehicles, 9 maintenance bays, 1 bus wash, 1 alignment lift.

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 8,200 miles each day, Monday through Saturday. SARTA also operates express routes to Cleveland and Akron.

Ridership - In 2019, SARTA provided over 2,355,864 rides between Fixed Routes, Proline and Medline services. A decrease of 124,368 rides or 5.01 percent from 2018. In 2018, SARTA provided 2,480,232 rides.

Fixed Route Service - 47 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 8,200 miles a day with

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

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.

Proline Services – 53 Proline buses with service available countywide for customers who meet American 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 2019, Proline services ran a total of 158,983 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 18 municipalities (12 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 2019 was 4.5 percent ¹ compared with State of Ohio's 3.8 percent and the national average of 3.5 percent.²

¹ <https://www.homefacts.com/unemployment/ohio/Stark-County>

² <https://www.homefacts.com/unemployment/ohio/Stark-County>

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
2018	73,007	375,586
2019	70,458	370,606

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>
2014	4.6	4.7	5.4
2015	5.1	4.6	5.0
2016	5.2	5.0	4.7
2017	5.0	4.9	4.1
2018	5.2	4.8	3.9
2019	4.5	3.8	3.5

Major Initiatives - 2019 in Review

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 2019, travel trainers trained 1,019 individuals.

EZfare - SARTA along with NEORide, a consortium of seven Ohio transit agencies, and transportation software company MASBI launched a free app called EZfare that allows riders to pay fares and purchase tickets through their phones and tablets.

5310 Program – SARTA was designated recipient of Section 5310 program, has assisted in the Enhanced Mobility for seniors and people with disabilities. Along with collaborating with Stark County Transportation Study (SCATS), SARTA has helped agencies and other interested in improving the coordination of transportation services among agencies and private providers requiring or providing transportation services, through vehicle purchases and operating reimbursement.

Borrow-A-Bus- SARTA's borrow a bus program was expanded in 2019 to provide means by which transit agencies and transit dependent organizations in the United States can become more educated and familiar with Hydrogen Fuel Cell as a commercially and operationally viable option to meet their zero-emission transportation needs. In 2019 Borrow-A-Bus was taken on the Florida swing that covered Tampa, Fort Lauderdale and Orlando.

Future Initiatives

Written public comment on the proposed Program of Projects was by SARTA at the close of business on November 25th, 2019.

Comments received by the closing date were considered in preparing and carrying out the Program. A public hearing was scheduled for November 27, 2019 at 11:00 a.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.

⁴ <https://homefacts.com/unemployment/Ohio/Stark-county>

LETTER OF TRANSMITTAL- Stark Area Regional Transit Authority

PROPOSED
 STARK AREA REGIONAL TRANSIT AUTHORITY
 FISCAL YEAR 2019 PROGRAM OF PROJECTS
 Total Funds Estimated for 2020 Projects \$36,087,567

Operating Grants	Total Budgeted Cost	Federal Share
Federal Operating Expense	\$1,647,925	\$847,925
State Operating Expense	\$2,000,000	\$1,000,000
Data & Administration Reimbursements	\$361,732	\$299,263
Mobility Management & Employment Passes-100%	\$677,000	\$518,500
Fuel Reimbursement	\$0	\$0
Preventative Maintenance	\$7,300,839	\$5,840,671
SG-Local Share Reimbursement (Buses, Farebox, Fuel Monitoring)	\$440,857	\$440,857
Total Operating Grants	12,428,353	\$8,947,216
Operating Grants	Total Budgeted Cost	Federal Share
5- 40' Hydrogen Buses	\$2,145,380	\$1,938,306
1- 30' CNG Bus (replace 470)	\$510,693	\$413,554
6 -<30' Par Buses	\$1,130,321	\$904,257
5 - <30' Para Hydrogen Buses	\$1,002,571	\$846,215
3 - <30' Glaval Buses	\$643,620	\$514,896
1 - 40' CNG Bus (replace 976)	\$486,825	\$394,460
Total Capital Grants	\$5,919,410	\$5,011,688
Operating Grants	Total Budgeted Cost	Federal Share
Support Vehicles	\$92,201	\$73,761
Fare Boxes	\$914,835	\$731,868
IT Projects (Hardware/Software)	\$154,000	\$123,200
Transit Enhancements (Gateway Lighting, Garage Doors)	\$350,700	\$280,560
Website Design	\$100,000	\$80,000
Security & Security Camera Server	\$253,683	\$202,946
Fuel Monitoring System	\$131,250	\$105,000
NEO Ride Modems	\$214,538	\$171,630
EZFare Validators-100%	\$307,924	\$280,678
Integrated Mobility Innovation Study (Local match in-kind)	\$188,964	\$188,964
Shop Equipment	\$37,354	\$29,883
FG & SG-Hydrogen Station Upgrades	\$1,378,260	\$1,240,000
SG-Ticket Vending Machine - 100%	\$0	\$0
SG-Phase 1 Building (Land Acquisition, demolition, road extension)	\$0	\$0
**New Building Construction	\$8,038,345	\$6,430,677
Total Other Capital Projects	\$12,162,054	\$9,939,167
Operating Grants	Total Budgeted Cost	Federal Share
Mahoning Corridor*	\$884,715	\$884,715
Calstart & Data	\$600,441	\$565,691
Integrated Mobility Innovation Study	\$3,532,729	\$3,532,729
5310 Sub Grantee*	\$559,865	\$559,865
Total Other Local Projects	\$5,577,750	\$5,543,000
	Total Budgeted Cost	Federal Share
Project Totals	*\$36,087,567	\$29,441,071

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
 - 2020 - 2 (5 Paratransit buses)
 - 2021 - 1 (8 Paratransit buses)
 - 2022 - 4 (8 Paratransit buses)
 - 2023 - 1 (8 Paratransit buses)
 - 2024 - 5 (4 Paratransit buses)
- 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
- Exploring possible Gateway facility expansion

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 35.

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 30.

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

Keith Faber, 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, 2019. Refer to the Financial Section page 17 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 2019 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

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, 2018. 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, 2018

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. Morill

Date January 4, 2019

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

AS OF DECEMBER 31, 2019

BOARD OF TRUSTEES

President.....*Ron Macala*
Vice President*James Reinhard*
Trustees..... *Amanda Fletcher*
Greg Blasiman
Myra Watkins
Margaret Egbert
Chet Warren
Edward Grier

MANAGEMENT

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

BOARD OF TRUSTEES

CEO

Director of Finance

Director of Human Resources

Chief Operating Officer

Director of Customer Relations

Director of Information Technology

General Accounting Manager

Capital Project Manager

Grants Manager

Accounting Administrator, DBELO

Accounting & Payroll Administrator

Employee Relations & EEO Administrator

Human Resources Administrator

Human Resources Admin Assistant

Chief Supervisor

Trainer/Supervisor

Transportation Route Coordinator

Transportation Administrator

Transportation Administrative Asst

Dispatcher (6)

Transit Supervisor (7)

Bus Operators (140)

Parts & Inventory Supervisor

Shipping & Receiving Specialist

Service (8)

Building / Grounds Technician (4)

Technician (15)

Maintenance Manager

Maintenance Supervisor (3)

Marketing Administrator

Customer Relations Supervisor

Customer Relations Administrator

Customer Relations Specialist

Customer Service Representatives (8)

Digital Media Coordinator

Outreach Coordinator

Outreach Specialist

I.T. Manager

Transit Data Systems Coordinator

Stark Area Regional Transit Authority ORGANIZATIONAL CHART

December 2019



Financial Section 2019

The Financial Section includes:

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

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Stark Area Regional Transit Authority
Stark County
1600 Gateway Blvd. SE
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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the System. We did not modify our opinion regarding this matter.

Other Matters

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 and other post-employment benefit liabilities and pension and other post-employment benefit 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 25, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

June 25, 2020

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2019 and 2018

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 years ended December 31, 2019 and 2018. 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 \$3,896,413 or 8.55 percent in 2019. The decrease in net position is attributed to the impact of GASB 75 and 68.

The Authority's total net position decreased \$3,560,980 or 7.25 percent in 2018. The decrease in net position is attributed to the Authority's implementation of GASB 75 as well as the GASB 68 changes for 2018.

In 2019, the Authority's operating expenses, excluding depreciation were \$4,013,787 higher than in 2018, a 16.86 percent increase, primarily due to labor, benefits, services and miscellaneous costs.

In 2018, the Authority's operating expenses, excluding depreciation were \$831,591 higher than in 2017, a 3.62 percent increase, primarily due to labor, benefits, and material and supplies costs.

Operating revenues for the Authority were \$341,427 lower in 2019, a 14.22 percent decrease. In 2019, the decrease is due to passenger, special transit and auxiliary transportation revenues.

Operating revenues for the Authority were \$162,536 higher in 2018, a 7.26 percent increase. In 2018, ridership increased with adult passes and auxiliary revenues.

In 2019, sales tax revenue decreased \$560,325 or 3.56 percent compared to 2018. Sales tax revenue accounted for 64.55 percent of all funding in 2019, exclusive of capital grants.

In 2018, sales tax revenue increased \$517,239 or 3.40 percent compared to 2017. Sales tax revenue accounted for 74.57 percent of all funding in 2018, exclusive of capital grants.

In 2019, operating grants and reimbursements were \$3,207,487 higher compared to 2018, or 120.59 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, 2019 and 2018

In 2018, operating grants and reimbursements were \$2,589,770 lower compared to 2017, or 49.33 percent decrease, primarily due to lower fuel cost, less funding drawn for operating expenses and projects not completed until 2019.

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 *Statement 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 *Statement 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 *Statement of Cash Flows*. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2019 and 2018

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 35-75 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 \$41,687,172 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, construction & projects in process, buildings and improvements, 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 2019, 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 2019 *unrestricted net position* totaled **(\$10,307,052)**.

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018

At the end of 2019 and 2018, the Authority was able to report positive balances in net position.

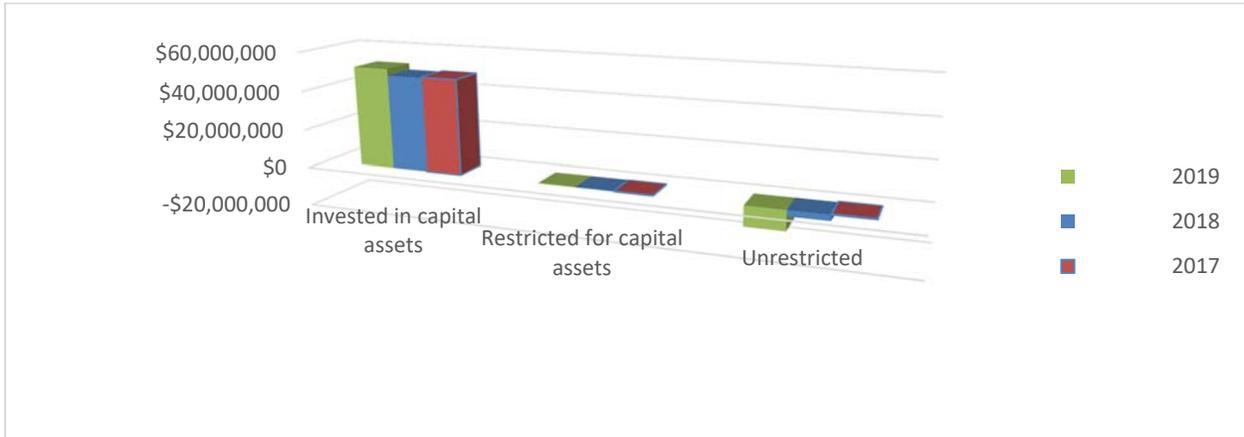
Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets	\$16,258,117	\$17,152,234	\$18,138,441
Capital assets, net	\$51,603,824	\$48,291,911	\$48,654,323
Other-Net Pension Asset	\$46,104	\$55,022	\$23,637
Total Assets	<u>\$67,908,045</u>	<u>\$65,499,167</u>	<u>\$66,816,401</u>
Deferred Outflow - OPEB	\$799,135	\$594,290	\$89,469
Deferred Outflow - Pension	<u>\$5,666,826</u>	<u>\$2,767,659</u>	<u>\$5,831,287</u>
Total Outflows	<u>\$6,465,961</u>	<u>\$3,361,949</u>	<u>\$5,920,756</u>
Current Liabilities	\$5,377,602	\$2,809,003	\$2,367,541
Long Term Liabilities	<u>\$27,024,395</u>	<u>\$17,533,434</u>	<u>\$21,120,750</u>
Total Liabilities	<u>\$32,401,997</u>	<u>\$20,342,437</u>	<u>\$23,488,291</u>
Deferred Inflow - OPEB	\$22,827	\$511,664	\$0
Deferred Inflow - Pension	<u>\$262,010</u>	<u>\$2,423,430</u>	<u>\$104,301</u>
Total Inflows	<u>\$284,837</u>	<u>\$2,935,094</u>	<u>\$104,301</u>
Net position:			
Invested in capital assets	\$51,603,825	\$48,291,911	\$48,654,323
Restricted for capital assets	\$390,399	\$370,902	\$209,739
Unrestricted	<u>(\$10,307,052)</u>	<u>(\$3,079,228)</u>	<u>\$280,503</u>
Total Net Position	<u>\$41,687,172</u>	<u>\$45,583,585</u>	<u>\$49,144,565</u>

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018



As can be seen from the table of net position, in 2019, net position decreased \$3,896,413 to \$41,687,172 from \$45,583,585 in 2018.

For more information on capital assets, readers are referred to Note 6 to the financial statements.

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

MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2019 and 2018

	2019	2018	Restated 2017
OPERATING REVENUES			
Passenger fares	\$ 1,227,723	\$ 1,358,033	\$ 1,148,401
Special transit fares	775,676	879,020	978,456
Auxiliary transportation revenues	56,929	164,702	112,362
TOTAL OPERATING REVENUES	2,060,328	2,401,755	2,239,219
OPERATING EXPENSES (REVENUES)			
Labor	9,135,839	8,320,070	7,922,433
Fringe benefits	11,583,533	9,035,782	8,672,802
Materials, supplies and training	3,174,573	3,237,323	2,921,073
ODOT fuel tax reimbursement	(105,603)	(87,114)	(98,013)
Services	1,680,512	1,483,953	1,454,817
Utilities	544,078	532,743	453,531
Casualty and liability insurance	710,429	539,302	498,287
Leases and rentals	38,630	39,491	47,266
Miscellaneous	1,057,656	704,310	1,102,073
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	27,819,647	23,805,860	22,974,269
OPERATING LOSS BEFORE DEPRECIATION	(25,759,319)	(21,404,105)	(20,735,050)
DEPRECIATION EXPENSE (Note 6)	4,309,511	4,504,509	4,064,382
OPERATING LOSS	(30,068,830)	(25,908,614)	(24,799,432)
NON-OPERATING REVENUES (EXPENSES)			
Sales tax revenues (Note 5)	15,187,998	15,748,323	15,231,084
Operating grants and reimbursements	5,867,299	2,659,812	5,249,582
Interest income	243,150	151,675	40,546
Sales tax collection expense	(151,880)	(149,527)	(148,633)
Gain (loss) on disposal of capital assets	600	6,246	12,366
Non-transportation revenues	170,342	151,609	124,505
TOTAL NON-OPERATING REVENUES - NET	21,317,509	18,568,138	20,509,450
NET LOSS BEFORE CAPITAL GRANT REVENUE	(8,751,321)	(7,340,476)	(4,289,982)
Federal capital grant	4,854,908	3,779,496	2,519,273
TOTAL FEDERAL CAPITAL GRANTS	4,854,908	3,779,496	2,519,273
INCREASE (DECREASE) IN NET POSITION	(3,896,413)	(3,560,980)	(1,770,709)
Net position, beginning of year	45,583,585	49,144,565	N/A
Net position, end of year	<u>\$ 41,687,172</u>	<u>\$ 45,583,585</u>	<u>\$ 49,144,565</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018

Depreciation expense decreased \$194,998 or 4.33 percent in 2019, due to retirements of assets.

In 2019, *Non-operating revenues-net* increased \$2,749,371 or 14.81 percent, to \$21,317,509. The increase is attributed to operating grants and reimbursements.

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

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 2,084,039	\$ 2,298,640	\$ 2,238,500
Cash payments to suppliers for goods and services	(4,731,430)	(6,523,991)	(6,576,162)
Cash payments to employees for salaries and wages	(9,101,857)	(8,294,815)	(7,940,024)
Cash payments for employees benefits	(7,154,954)	(6,580,422)	(7,564,521)
Net cash used by operating activities	\$ (18,904,202)	\$ (19,100,588)	\$ (19,842,207)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Sales taxes received	\$ 14,880,942	\$ 15,381,102	\$ 15,235,612
Operating and preventive maintenance grants received	5,800,831	3,516,267	4,383,256
Non-transportation revenues	170,342	151,609	124,505
Net cash provided by noncapital financing activities	\$ 20,852,115	\$ 19,048,978	\$ 19,743,373
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Federal capital grant revenue	\$ 4,874,406	\$ 3,940,659	\$ 2,622,213
Proceeds from sale of capital assets	600	6,246	12,366
Acquisition of capital assets and work in process	(7,621,424)	(4,142,097)	(3,513,615)
Net cash used by capital and related financing activities	\$ (2,746,418)	\$ (195,192)	\$ (879,036)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	243,150	151,675	40,546
Net cash provided by investing activities	\$ 243,150	\$ 151,675	\$ 40,546
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (555,355)	\$ (95,127)	\$ (937,324)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,513,864	11,608,991	12,546,315
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,958,509	\$ 11,513,864	\$ 11,608,991

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018

Capital Assets

The Authority's investment in capital assets amounts to \$51,603,824 as of December 31, 2019 and \$48,291,911 as of December 31, 2018, a net increase of \$3,311,913 or 6.86 percent from 2018. 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:

Machine & Equipment	\$240,736
Electronics	49,853
Shelters	30,045
30', 35', 40' Buses	2,496,922
Computer Hardware	193,222

The Authority's investment in capital assets amounts to \$48,291,911 as of December 31, 2018 and \$48,654,323 as of December 31, 2017, a net decrease of \$362,412 or .74 percent from 2017. 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 fiscal year included the following:

Buildings & Improvements	\$415,441
Machine & Equipment	104,908
Light Duty Buses	692,732
Computer Hardware	59,112

The construction and projects in progress balance at December 31, 2019 included costs associated with a portion of the following:

1. 40' foot buses
2. Expansion of SARTA's facilities
3. Mahoning Rd Corridor project
4. Various other projects

The *Notes to Financial Statements*, Note 6 page 70, provide additional information on capital assets.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018

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.

Governmental Accounting Standards Board (GASB) 68 and 75

The net pension liability (NPL) is the largest single liability reported by the Stark Area Regional Transit Authority at December 31, 2019 and is reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” For fiscal year 2018, the Stark Area Regional Transit Authority adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revised accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset) and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority’s proportionate share of each plan’s collective:

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

GASB notes that pension and OPEB 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,

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018

benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

MANAGEMENT DISCUSSION AND ANALYSIS

For the Years Ended December 31, 2019 and 2018

In accordance with GASB 68 and GASB 75, the Stark Area Regional Transit Authority statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

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
STATEMENT OF NET POSITION
DECEMBER 31, 2019 and 2018

ASSETS	2019	2018
CURRENT ASSETS:		
Cash & cash equivalents	\$ 10,568,110	\$ 11,142,962
Receivables:		
Trade	219,104	176,347
Sales tax	4,105,005	3,949,829
Other misc receivables	1,125	155,073
Materials & supplies inventory	367,397	313,521
Prepaid expenses & other assets	606,977	1,043,600
Restricted for capital assets:		
Cash & cash equivalents	390,399	370,902
TOTAL CURRENT ASSETS	16,258,117	17,152,234
NONCURRENT ASSETS:		
Other Noncurrent Assets - Net Pension Assets (Note 2)	46,104	55,022
Capital assets: (Note 6)		
Land, nondepreciable	932,672	932,672
Construction & WIP, nondepreciable	15,294,564	10,690,789
Buildings & improvements, depreciable	22,604,817	22,604,817
Transportation equipment, depreciable	43,598,370	41,226,285
Other equipment, depreciable	5,641,626	5,246,391
Total capital assets	88,072,049	80,700,954
Less accumulated depreciation	(36,468,225)	(32,409,043)
Capital assets - net	51,603,824	48,291,911
TOTAL NONCURRENT ASSETS	51,649,928	48,346,933
 TOTAL ASSETS	 67,908,045	 65,499,167
DEFERRED OUTFLOWS OF RESOURCES:		
OPEB	799,135	594,290
Pension	5,666,826	2,767,659
TOTAL DEFERRED OUTFLOW OF RESOURCES	6,465,961	3,361,949

The accompanying notes are an integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENT OF NET POSITION
DECEMBER 31, 2019 and 2018
(continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 3,352,972	\$ 930,251
Accrued payroll	161,212	127,230
Accrued payroll taxes & withholdings	283,212	299,041
Compensated absences	35,000	35,000
Other current liabilities	1,154,807	1,046,579
Capital grants payable	<u>390,399</u>	<u>370,902</u>
TOTAL CURRENT LIABILITIES	<u>5,377,602</u>	<u>2,809,003</u>
 LONG TERM LIABILITIES:		
Compensated absences (Note 8)	481,725	455,364
Net OPEB liability (Note 2)	8,412,928	6,868,593
Net pension liability (Note 3)	<u>18,129,742</u>	<u>10,209,477</u>
TOTAL LONG TERM LIABILITIES	<u>27,024,395</u>	<u>17,533,434</u>
TOTAL LIABILITIES	<u>32,401,997</u>	<u>20,342,437</u>
 DEFERRED INFLOWS OF RESOURCES:		
OPEB	22,827	511,664
Pension	<u>262,010</u>	<u>2,423,430</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>284,837</u>	<u>2,935,094</u>
 NET POSITION:		
Investment in capital assets	51,603,825	48,291,911
Restricted for capital assets	390,399	370,902
Unrestricted	<u>(10,307,052)</u>	<u>(3,079,228)</u>
TOTAL NET POSITION	<u>\$ 41,687,172</u>	<u>\$ 45,583,585</u>

The accompanying notes are an integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Passenger fares	\$ 1,227,723	\$ 1,358,033
Special transit fares	775,676	879,020
Auxiliary transportation revenues	56,929	164,702
TOTAL OPERATING REVENUES	2,060,328	2,401,755
OPERATING EXPENSES		
Labor	9,135,839	8,320,070
Fringe benefits	11,583,533	9,035,782
Materials, supplies and training	3,174,573	3,237,323
ODOT fuel tax reimbursement	(105,603)	(87,114)
Services	1,680,512	1,483,953
Utilities	544,078	532,743
Casualty and liability insurance	710,429	539,302
Leases and rentals	38,630	39,491
Miscellaneous	1,057,656	704,310
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	27,819,647	23,805,860
OPERATING LOSS BEFORE DEPRECIATION	(25,759,319)	(21,404,105)
DEPRECIATION EXPENSE (Note 6)	4,309,511	4,504,509
OPERATING LOSS	(30,068,830)	(25,908,614)
NON-OPERATING REVENUES (EXPENSES)		
Sales tax revenues (Note 5)	15,187,998	15,748,323
Operating grants and reimbursements	5,867,299	2,659,812
Interest income	243,150	151,675
Sales tax collection expense	(151,880)	(149,527)
Gain (loss) on disposal of capital assets	600	6,246
Non-transportation revenues	170,342	151,609
TOTAL NON-OPERATING REVENUES (EXPENSES) - NET	21,317,509	18,568,138
NET LOSS BEFORE CAPITAL GRANT REVENUE	(8,751,321)	(7,340,476)
Federal capital grant	4,854,908	3,779,496
Total federal capital grants	4,854,908	3,779,496
INCREASE (DECREASE) IN NET POSITION	(3,896,413)	(3,560,980)
Net position, beginning of year	45,583,585	49,144,565
Net position, end of year	\$ 41,687,172	\$ 45,583,585

The accompanying notes are an integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,084,039	\$ 2,298,640
Cash payments to suppliers for goods and services	(4,731,430)	(6,523,991)
Cash payments to employees for salaries and wages	(9,101,857)	(8,294,815)
Cash payments for employees benefits	(7,154,954)	(6,580,422)
Net cash used by operating activities	\$ (18,904,202)	\$ (19,100,588)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	\$ 14,880,942	\$ 15,381,102
Operating and preventive maintenance grants received	5,800,831	3,516,267
Non-transportation revenues	170,342	151,609
Net cash provided by noncapital financing activities	\$ 20,852,115	\$ 19,048,978
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grant revenue	\$ 4,874,406	\$ 3,940,659
Proceeds from sale of capital assets	600	6,246
Acquisition of capital assets and work in progress	(7,621,424)	(4,142,097)
Net cash used by capital and related financing activities	\$ (2,746,418)	\$ (195,192)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	243,150	151,675
Net cash provided by investing activities	\$ 243,150	\$ 151,675
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (555,355)	\$ (95,127)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,513,864	11,608,991
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,958,509	\$ 11,513,864

The accompanying notes are integral part of these financial statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OH
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	2019	2018
Operating loss	\$ (30,068,830)	\$ (25,908,614)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,309,511	4,504,509
(Increase) decrease in accounts receivable - trade	23,711	(103,115)
(Increase) decrease in materials & supplies inventory	(53,876)	(27,647)
(Increase) decrease in prepaid expenses & other assets	590,571	383,081
(Increase) decrease in deferred outflows - OPEB	(204,845)	(504,821)
(Increase) decrease in deferred outflows - pension	(2,899,167)	3,063,628
(Increase) decrease in net pension asset	8,918	(31,385)
(Decrease) increase in accounts payable	2,422,721	(46,336)
(Decrease) increase in net pension liability	7,920,265	(4,250,714)
(Decrease) increase in net OPEB liability	1,544,335	611,332
(Decrease) increase in accrued payroll	33,982	25,255
(Decrease) increase in deferred inflows - OPEB	(488,837)	511,664
(Decrease) increase in deferred inflows - pension	(2,161,420)	2,319,129
(Decrease) increase in accrued payroll taxes & withholdings	(15,829)	32,210
(Decrease) increase in other current liabilities	134,588	321,234
NET CASH USED IN OPERATING ACTIVITIES	\$ (18,904,202)	\$ (19,100,590)
 Supplemental disclosures of cash flow information:		
Change in sales tax receivable	\$ 155,176	\$ 217,694

The accompanying notes are an integral part of these financials statements

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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 January 1, 2019 were subject to a collective bargaining agreement that expires on December 31, 2021.

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 5). 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, 2019 and 2018

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. 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.

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 year 2019, 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 \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Property and Depreciation

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

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

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 project 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 project receivable and credited to non-operating revenues in the period operating expenses are incurred.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/ deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plan report investments at fair value.

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

Pension and OPEB 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 and other post-employment benefits. 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 and OPEB plans.

There is no repayment schedule for the net pension liability or asset or the net OPEB liability or asset. The Authority has no control over the changes in the pension benefits, contributions rate, and return on investments affecting the balance of these liabilities. 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 and the OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 financial statements in order to conform to the 2019 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.

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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 or asset. Resulting adjustments to the net pension liability or asset 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.

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.

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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 requirements 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. Additionally, a death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plans.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for December 31, 2018, as follows:

Statutory Maximum Contribution Rates	State and Local
Employer	14.0%
Employee	10.0%
Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	-%
Total Employer	14.0%
Employee	10.0%

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

The Authority's contractually required contribution was \$1,397,545 for 2019. Of this amount, \$151,171 is reported in accrued payroll taxes & withholdings.

Pension (Asset) 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, 2019 was measured as of December 31, 2018, 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:

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	OPERS	
	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability - prior measurement date	0.065078%	0.063678%
Proportion of the net pension liability - current measurement date	0.066196%	0.065078%
Change in proportionate share	0.001118%	0.001400%
Proportion of the net pension asset - prior measurement date	0.040418%	0.042470%
Proportion of the net pension asset - current measurement date	0.041230%	0.040418%
Change in proportionate share	0.000812%	-0.002052%
Proportionate share of net pension liability	\$ 18,129,742	\$ 10,209,477
Proportionate share of net pension asset	\$ 46,104	\$ 55,022
Pension expense	\$ 4,266,141	\$ 2,389,787

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS <u>Traditional</u>	OPERS <u>Combined</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$836	-	\$836
Change in proportion and differences between Authority contributions and proportionate share of contributions	206,318	2,946	209,264
Net difference between projected and actual earnings on pension plan investment	2,460,713	9,932	2,470,645
Changes of assumptions	1,578,239	10,297	1,588,536
Authority contributions subsequent to the measurement date	<u>1,369,980</u>	<u>27,565</u>	<u>1,397,545</u>
Total Deferred Outflows of Resources	<u>\$5,616,086</u>	<u>\$50,740</u>	<u>\$5,666,826</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$238,054	\$18,830	\$256,884
Change in proportion and differences between Authority contributions and proportionate share of contributions	-	5,126	5,126
Total Deferred Inflows of Resources	<u>\$238,054</u>	<u>\$23,956</u>	<u>\$262,010</u>

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2018, 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			
Differences between expected and actual experience	\$10,426	-	\$10,426
Change in proportion and differences between Authority contributions and proportionate share of contributions	239,791	3,404	243,195
Changes of assumptions	1,220,101	4,808	1,224,909
Authority contributions subsequent to the measurement date	<u>1,262,820</u>	<u>26,309</u>	<u>1,289,129</u>
Total Deferred Outflows of Resources	<u>\$2,733,138</u>	<u>\$34,521</u>	<u>\$2,767,659</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$201,197	\$16,391	\$217,588
Net difference between projected and actual earnings on pension plan investments	2,191,840	8,681	2,200,521
Change in proportion and differences between Authority contributions and proportionate share of contributions	<u>-</u>	<u>5,321</u>	<u>5,321</u>
Total Deferred Inflows of Resources	<u>\$2,393,037</u>	<u>\$30,393</u>	<u>\$2,423,430</u>

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

\$1,397,545 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 liability or asset in the subsequent fiscal period rather than in the current fiscal period. 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:	OPERS <u>Traditional</u>	OPERS <u>Combined</u>	<u>Total</u>
2020	\$1,781,287	\$1,108	\$1,782,395
2021	854,071	(876)	853,195
2022	228,281	(667)	227,614
2023	1,144,413	2,443	1,146,856
2024	-	(1,640)	(1,640)
Thereafter	-	(1,149)	(1,149)
Total	<u><u>\$4,008,052</u></u>	<u><u>(\$781)</u></u>	<u><u>\$4,007,271</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<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	3.25 to 8.25 percent
COLA or Ad Hoc COLA	3 percent, simple	2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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 year of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base year 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 table, adjusted for mortality improvement back to the observation base year 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 was 2.94% for 2018.

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CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The allocation of investment assets within 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 2018 and 2017 and the long-term expected real rates of return:

Asset Class	2018 Target Allocation		Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	
Fixed Income	23.00	%	2.79	%
Domestic Equities	19.00		6.21	
Real Estate	10.00		4.90	
Private Equity	10.00		10.81	
International Equities	20.00		7.83	
Other Investments	18.00		5.50	
Total	100.00	%	5.95	%

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Asset Class	2017 Target Allocation		Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	
Fixed Income	23.00	%	2.20	%
Domestic Equities	19.00		6.37	
Real Estate	10.00		5.26	
Private Equity	10.00		8.97	
International Equities	20.00		7.88	
Other Investments	18.00		5.26	
Total	<u>100.00</u>	%	<u>5.66</u>	%

Discount Rate The discount rate used to measure the total pension liability was 7.2 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 7.2 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 (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

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NOTES TO FINANCIAL STATEMENTS
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2. DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease █ (6.20%)	Current Discount Rate █ (7.20%)	1% Increase █ (8.20%)
<u>2019</u>			
Authority's proportionate share of the net pension liability - Traditional	\$26,782,902	\$18,129,742	\$10,938,889
Authority's proportionate share of the net pension asset - Combined	(15,255)	(46,104)	(68,442)
	1% Decrease █ (6.50%)	Current Discount Rate █ (7.50%)	1% Increase █ (8.50%)
<u>2018</u>			
Authority's proportionate share of the net pension liability - Traditional	\$18,129,429	\$10,209,477	\$3,606,623
Authority's proportionate share of the net pension asset - Combined	(29,909)	(55,022)	(72,348)

3. DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability or asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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 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

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For the Years Ended December 31, 2019 and 2018

3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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 postemployment health care coverage, age - and - service retirees under the Traditional pension and Combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

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 0 percent during calendar year 2018. 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 into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$0 for 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	
	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability - current measurement date	0.064528%	0.063251%
Proportion of the net OPEB liability - prior measurement date	0.063251%	0.061951%
Change in proportionate share	0.001277%	0.130000%
Proportionate share of net OPEB liability	\$ 8,412,928	\$ 6,868,593
Pension expense	\$ 850,653	\$ 618,175

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3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources to OPEB for the following sources:

	OPERS <u>OPEB</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$2,849
Net difference between projected and actual earnings on OPEB plan investments	385,683
Change in proportion and differences between Authority contributions and proportionate share of contributions	139,360
Changes of assumptions	<u>271,243</u>
Total Deferred Outflows of Resources	<u><u>\$799,135</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	<u>\$22,827</u>
Total Deferred Inflows of Resources	<u><u>\$22,827</u></u>

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NOTES TO FINANCIAL STATEMENTS
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3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources to OPEB for the following sources:

	OPERS <u>OPEB</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$5,351
Change in proportion and differences between Authority contributions and proportionate share of contributions	88,833
Changes of assumptions	<u>500,106</u>
Total Deferred Outflows of Resources	<u><u>\$594,290</u></u>
Deferred Inflows of Resources	
Differences between projected and actual earnings on OPEB plan investments	<u>511,664</u>
Total Deferred Inflows of Resources	<u><u>\$511,664</u></u>

STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

\$0 was reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS <u>OPEB</u>
2020	\$ 389,812
2021	127,275
2022	64,926
2023	<u>194,295</u>
Total	<u><u>\$776,308</u></u>

Actuarial Assumptions-OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

	<u>OPEB</u>
Wage Inflation	3.25 percent
Future Salary Increase, including inflation	3.25 to 10.75 percent
Single discount rate	3.96 percent
Prior measurement rate	3.85 percent
Municipal bond rate	3.71 percent
Health care cost trend	10.0 percent initial 3.25, percent ultimate in 2029
Investment Rate of Return	6.00 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of 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 health care 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.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Classs	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

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NOTES TO FINANCIAL STATEMENTS
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3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.96 percent) or one percentage point higher (4.96 percent) than the current rate:

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3. DEFINED BENEFIT OPEB PLAN (CONTINUED)

<u>2019</u>	1% Decrease <u>2.96%</u>	Current Discount Rate <u>3.96%</u>	1% Increase <u>4.96%</u>
Authority's proportionate share of the net OPEB liability	\$10,763,270	\$8,412,928	\$6,543,784

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

<u>2019</u>	1% Decrease	Current health care cost trend rate <u>assumption</u>	1% Increase
Authority's proportionate share of the net OPEB liability	\$8,086,649	\$8,412,928	\$8,788,714

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NOTES TO FINANCIAL STATEMENTS
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4. 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.
- 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 market funds shall comply with Section 135.01 of the ORC regarding limitations and restrictions.

STARK AREA REGIONAL TRANSIT AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

4. CASH AND CASH EQUIVALENTS (CONTINUED)

- 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.

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NOTES TO FINANCIAL STATEMENTS
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4. CASH AND CASH EQUIVALENTS (CONTINUED)

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Deposits

At December 31, 2019, the carrying amount of the Authority's deposits was \$4,596,877 and the bank balance was \$4,978,418, based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures." Of the bank balance, \$250,000 was covered by FDIC and \$1,456,986 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

At December 31, 2018, the carrying amount of the Authority's deposits was \$2,092,813 and the bank balance was \$2,226,119, based upon the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures." Of the bank balance, \$250,000 was covered by FDIC and \$776,067 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

The Authority's financial institution participates in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Authority's financial institution was approved for a reduced collateral rate of 50 percent through the OPCS.

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4. CASH AND CASH EQUIVALENTS (CONTINUED)

Investments

Investments are reported at fair value. As of December 31, 2019 the Authority had the following investments:

<u>Investment</u>	Maturity Date		
	<u>2019 Fair Value</u>	<u>Less than 6 Months</u>	<u>More than 6 Months</u>
STAR Ohio	\$21,354	\$21,354	\$-
CDARS-52 week term	\$1,500,000	\$ -	\$1,500,000
Money Market	\$3,768,905	\$247,000	\$3,521,905
Debt Securities	\$1,071,373	\$1,071,373	-
Total	<u>\$6,361,632</u>	<u>\$1,339,727</u>	<u>\$5,021,905</u>

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4. CASH AND CASH EQUIVALENTS (CONTINUED)

Investments are reported at fair value. As of December 31, 2018 the Authority had the following investments:

<u>Investment</u>	Maturity Date		
	<u>2018 Fair Value</u>	<u>Less than 6 Months</u>	<u>More than 6 Months</u>
STAR Ohio	\$20,865	\$20,865	\$ -
CDARS-52 week term	\$1,500,000	\$ -	\$1,500,000
Money Market	\$2,905,813	\$249,900	\$2,655,913
Debt Securities	\$4,994,374	\$12,971	\$4,981,403
Total	\$9,421,052	\$283,736	\$9,137,316

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 charts identifies the Authority's recurring fair value measurements as of December 31, 2019 and 2018. The CDARS and money market investments are valued using quoted market prices (Level 1 inputs) at December 31, 2019 and 2018. The fair value of debt securities at December 31, 2019 and 2018 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.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

4. CASH AND CASH EQUIVALENTS (CONTINUED)

Transactions in all of a participant's accounts of the Ohio investor will be combined for these purposes.

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 53 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>2019 Investments</u>	<u>Fair Value</u>	<u>Within 1 Year</u>	<u>1-5 Years</u>
State Treasurer's Inv Pool (StarOhio)	\$ 21,354	\$ 20,865	\$ -
CDARS	1,500,000	500,000	1,000,000
Money Market	3,768,905	247,000	3,521,905
Debt Securities	1,071,373	1,071,373	-

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

4. CASH AND CASH EQUIVALENTS (CONTINUED)

<u>2018 Investments</u>	<u>Fair Value</u>	<u>Within 1 Year</u>	<u>1-5 Years</u>
State Treasurer's Inv Pool (StarOhio)	\$ 20,865	\$ 20,865	\$ -
CDARS	1,500,000	237,500	1,262,500
Money Market	2,905,813	249,900	2,655,913
Debt Securities	4,994,374	1,989,441	3,004,933

Credit Risk

As of December 31, 2019, 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 – 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 on issuer.

5. TAX REVENUES

On November 8, 2016 the voters of Stark County renewed the .25 percent sales tax levy until June of 2027. Revenue generated from the levy can be used for operating or capital purposes. The Authority receives cash from the sales tax levy when the related sales tax collections are distributed by the State of Ohio.

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance				Ending Balance
	<u>1/1/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>12/31/2019</u>
Capital Assets Not Being Depreciated:					
Land	\$ 932,672	\$ -	\$ -	\$ -	\$ 932,672
Construction & Projects in Progress	10,690,789	7,100,697		(2,496,922)	15,294,564
Total Capital Assets Not Depreciated	11,623,461	7,100,697	-	(2,496,922)	16,227,236
Capital Assets Being Depreciated:					
Buildings & Improvements	22,604,817	-	-		22,604,817
Transportation Equipment	41,226,285	6,870	(131,707)	2,496,922	43,598,370
Other Equipment	5,246,391	513,857	(118,622)	-	5,641,626
Total Capital Assets being Depreciated	69,077,493	520,727	(250,329)	2,496,922	71,844,813
Total Capital Assets	80,700,954	7,621,424	(250,329)	-	88,072,049
Less accumulated depreciation for:					
Buildings & Improvements	5,546,107	563,136	-	-	6,109,243
Transportation Equipment	22,357,974	3,527,389	(131,707)	-	25,753,656
Other Equipment	4,504,962	218,986	(118,622)	-	4,605,326
Total Accumulated Depreciation	32,409,043	4,309,511	(250,329)	-	36,468,225
Total Capital Assets, Net	\$ 48,291,911	\$3,311,913	\$ -	\$ -	\$ 51,603,824

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance				Ending Balance
	<u>1/1/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>12/31/2018</u>
Capital Assets Not Being Depreciated:					
Land	\$ 932,672	\$ -	\$ -	\$ -	\$ 932,672
Construction & Projects in Progress	8,063,064	3,043,165		(415,440)	10,690,789
Total Capital Assets Not Depreciated	8,995,736	3,043,165	-	(415,440)	11,623,461
Capital Assets Being Depreciated:					
Buildings & Improvements	22,189,377	-	-	415,440	22,604,817
Transportation Equipment	41,355,318	830,154	(959,187)	-	41,226,285
Other Equipment	4,977,613	268,778	-	-	5,246,391
Total Capital Assets being Depreciated	68,522,308	1,098,932	(959,187)	415,440	69,077,493
Total Capital Assets	77,518,044	4,142,097	(959,187)	-	80,700,954
Less accumulated depreciation for:					
Buildings & Improvements	4,984,702	561,405	-	-	5,546,107
Transportation Equipment	19,583,798	3,733,363	(959,187)	-	22,357,974
Other Equipment	4,295,221	209,741	-	-	4,504,962
Total Accumulated Depreciation	28,863,721	4,504,509	(959,187)	-	32,409,043
Total Capital Assets, Net	48,654,323	(362,412)	\$ -	\$ -	\$ 48,291,911

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

7. RESTRICTED ASSETS

During 2019, the Authority received insurance proceeds in the amount of \$19,497 for a bus that was deemed unsalvageable due to an accident. The proceeds will be used to offset future bus purchases, thereby reducing the amount drawn from grant funds. As of December 31, 2019 and 2018, the balance in restricted cash related to these proceeds was \$390,399 and \$370,902 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 1/1/2019	Additions	Retirements	Balance 12/31/2019	Due Within One Year
Compensated Absences	<u>\$490,364</u>	<u>\$61,361</u>	<u>(\$35,000)</u>	<u>\$516,725</u>	<u>(\$35,000)</u>
	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018	Due Within One Year
Compensated Absences	<u>\$439,298</u>	<u>\$86,066</u>	<u>(\$35,000)</u>	<u>\$490,364</u>	<u>(\$35,000)</u>

STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

8. LONG TERM LIABILITIES (CONTINUED)

	Balance 1/1/2019	Additions	Retirements	Balance 12/31/2019	Due Within One Year
Pension, net	<u>\$10,209,477</u>	<u>\$7,920,265</u>	<u>\$ -</u>	<u>\$18,129,742</u>	<u>\$ -</u>
	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018	Due Within One Year
Pension, net	<u>\$14,460,191</u>	<u>\$0</u>	<u>(\$4,250,714)</u>	<u>\$10,209,477</u>	<u>\$ -</u>
	Balance 1/1/2019	Additions	Retirements	Balance 12/31/2019	Due Within One Year
OPEB, net	<u>\$6,868,593</u>	<u>\$1,544,335</u>	<u>\$ -</u>	<u>\$8,412,928</u>	<u>\$ -</u>
	Balance 1/1/2018	Additions	Retirements	Balance 12/31/2018	Due Within One Year
OPEB, net	<u>\$6,257,261</u>	<u>\$611,332</u>	<u>\$ -</u>	<u>\$6,868,593</u>	<u>\$ -</u>

9. GRANTS AND REIMBURSEMENTS

Grants and reimbursements included in the statement of revenues, expenses and changes in net position for the years ended December 31, 2019 and 2018 consist of the following;

Grants	<u>2019</u>	<u>2018</u>
State and Federal Prevention Maintenance	\$4,179,230	\$1,796,163
Federal Planning	19,240	37,544
Federal Capital & Operating	<u>6,523,737</u>	<u>4,605,601</u>
Total Grants	10,722,207	6,439,308
ODOT Fuel Tax Reimbursement	<u>105,603</u>	<u>87,114</u>
Total Reimbursements	<u>105,603</u>	<u>87,114</u>
Total Grants and Reimbursements	<u><u>\$10,827,810</u></u>	<u><u>\$6,526,422</u></u>

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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.

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. There were no reductions of limits from the prior year. The Authority does have a policy relating to the credit risk of investments.

The Authority participates in the Health Transit Pool of Ohio.

*STARK AREA REGIONAL TRANSIT AUTHORITY
CANTON, OHIO*

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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

Grants

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 expense under the terms of the grant. At December 31, 2019 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.

Litigation

The Authority is party to claims or litigation. The Authority management if or the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any on the financial condition of the Authority.

13. SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods for the Stark Area Regional Transit Authority. The Stark Area Regional Transit Authority’s investment portfolio and investments of the pension and other employee benefit plan in which the Stark Area Regional Transit Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Stark Regional Transit Authority’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



Required Supplementary Information 2019

(Unaudited)

Table 10 – RSI

Stark Area Regional Transit Authority

Canton, Ohio

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.066196%	0.065078%	0.063678%	0.061711%	0.060696%	0.060696%
Authority's proportionate share of the net pension liability	\$ 18,129,742	\$ 10,209,477	\$ 14,460,191	\$ 10,689,124	\$ 7,320,616	\$ 7,155,268
Authority's covered payroll	\$ 9,020,143	\$ 8,589,069	\$ 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 payroll	200.99%	118.87%	183.66%	136.08%	97.89%	114.55%
Plan fiduciary net position as a percentage of total pension liability	74.70%	84.66%	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 the Authority's Contributions - Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution - Pension	\$ 1,369,980	\$ 1,262,820	\$ 1,116,579	\$ 944,802	\$ 942,593	\$ 897,436	\$ 817,633	\$ 775,369	\$ 780,642	\$ 747,917
Contributions in relation to contractually required contribution	(1,369,980)	(1,262,820)	(1,116,579)	(944,802)	(942,593)	(897,436)	(817,633)	(775,369)	(780,642)	(747,917)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 9,785,571	\$ 9,020,143	\$ 8,589,069	\$ 7,873,350	\$ 7,854,942	\$ 7,478,633	\$ 6,246,241	\$ 7,753,690	\$ 7,806,420	\$ 8,310,189
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%

Stark Area Regional Transit Authority

Canton, Ohio

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Asset

Ohio Public Employees Retirement System (OPERS) - Combined Plan

Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension asset	0.041230%	0.040418%	0.042470%	0.048960%	0.022117%	0.022117%
Authority's proportionate share of the net pension asset	\$ 46,104	\$ 55,022	\$ 23,637	\$ 23,825	\$ 8,515	\$ 2,321
Authority's covered payroll	\$ 187,921	\$ 178,938	\$ 182,875	\$ 96,192	\$ 80,842	\$ 67,752
Authority's proportionate share of the net pension asset as a percentage of its covered payroll	24.53%	30.75%	12.93%	24.77%	10.53%	3.43%
Plan fiduciary net position as a percentage of total pension asset	126.64%	137.28%	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 the Authority's Contributions - Pension

Ohio Public Employees Retirement System (OPERS) - Combined Plan

Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution - Pension	\$ 27,565	\$ 26,309	\$ 23,262	\$ 21,945	\$ 11,543	\$ 9,701	\$ 8,869	\$ 8,410	\$ 8,467	\$ 8,113
Contributions in relation to contractually required contribution	<u>(27,565)</u>	<u>(26,309)</u>	<u>(23,262)</u>	<u>(21,945)</u>	<u>(11,543)</u>	<u>(9,701)</u>	<u>(8,869)</u>	<u>(8,410)</u>	<u>(8,467)</u>	<u>(8,113)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Authority's covered payroll	\$ 196,893	\$ 187,921	\$ 178,938	\$ 182,875	\$ 96,192	\$ 80,842	\$ 67,752	\$ 84,100	\$ 84,670	\$ 90,144
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%

Stark Area Regional Transit Authority

Canton, Ohio

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System (OPERS)

Last Three Years (1)

	2019	2018	2017
Authority's proportion of the net OPEB liability	0.064528%	0.063251%	0.061951%
Authority's proportionate share of the net OPEB liability	\$ 8,412,928	\$ 6,868,593	\$ 6,257,261
Authority's covered payroll	\$ 9,247,360	\$ 8,947,000	\$ 8,628,900
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.98%	76.77%	72.52%
Plan fiduciary net position as a percentage of total OPEB liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 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 the Authority's Contributions - OPEB

Ohio Public Employees Retirement System (OPERS)

Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution - OPEB (1)	\$ -	\$ -	\$ 89,470	\$ 172,578	\$ 159,023	\$ 151,190	\$ 63,140	\$ 313,512	\$ 315,644	\$ 420,017
Contributions in relation to contractually required contribution	-	-	(89,470)	(172,578)	(159,023)	(151,190)	(63,140)	(313,512)	(315,644)	(420,017)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll (1)	\$ 10,191,016	\$ 9,247,360	\$ 8,947,000	\$ 8,628,900	\$ 7,951,133	\$ 7,559,475	\$ 6,313,993	\$ 7,837,790	\$ 7,891,090	\$ 8,400,333
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%	4.00%	4.00%	5.00%

(1) Prior to 2017, contributions do not contain MD plan contributions.

Stark Area Regional Transit Authority

Canton, Ohio

Notes to Required Supplementary Information

For the Year Ended December 31, 2019

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.



Statistical Section 2019

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 SARTA’s overall financial health.

Contents/Page Number

Financial Trends (Pages 83-84)

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 85-87)

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

Operating Information (Pages 88-91)

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 performed.

Debt Capacity (Page 92)

This schedule presents information to help the reader assess the affordability of SARTA’s current levels of outstanding debt and the ability to issue debt in the future.

Economic and Demographic (Pages 93-100)

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



Financial Trends Information 2019

(Unaudited)

Table 1 – Net Position by Component

Table 2 – Changes in Net Position

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

Table 1

	2019	2018	(Restated) 2017**	2016	2015	(Restated) 2014*	2013	2012	2011	2010
NET POSITION										
Net Investment in Capital Assets	\$ 51,603,825	\$ 48,291,911	\$ 48,654,323	\$ 49,205,091	\$ 36,746,495	\$ 34,954,513	\$ 34,143,696	\$ 35,108,740	\$ 28,659,037	\$ 26,657,794
Restricted	390,399	370,902	209,739	106,799	125,918	230,753	-	100,000	38,899	38,899
Unrestricted	(10,307,052)	(3,079,228)	280,503	7,771,176	6,758,329	6,708,300	11,029,737	7,778,378	7,671,591	6,574,635
TOTAL NET POSITION	\$ 41,687,172	\$ 45,583,585	\$ 49,144,565	\$ 57,083,066	\$ 43,630,742	\$ 41,893,566	\$ 45,173,433	\$ 42,987,118	\$ 36,369,527	\$ 33,271,328

**2017 restated to comply with GASB 75

*2014 restated to comply with GASB 68

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

Table 2

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
OPERATING REVENUES										
Passenger Fares.....	\$ 1,227,723	\$ 1,358,033	\$ 1,148,401	\$ 1,200,231	\$ 1,348,373	\$ 1,352,071	\$ 1,141,471	\$ 1,111,074	\$ 1,069,426	\$ 1,051,643
Special Transit Fares.....	775,676	879,020	978,456	1,024,495	990,281	821,161	654,311	553,229	684,507	529,091
Auxiliary Transportation Revenues.....	56,929	164,702	112,362	71,041	110,273	141,553	92,973	72,972	60,939	22,176
TOTAL OPERATING REVENUES	2,060,328	2,401,755	2,239,219	2,295,767	2,448,927	2,314,785	1,888,755	1,737,275	1,814,872	1,602,910
OPERATING EXPENSES										
Labor.....	\$ 9,135,839	\$ 8,320,070	\$ 7,922,433	\$ 7,601,170	\$ 7,142,492	\$ 6,793,551	\$ 6,396,815	\$ 5,902,311	\$ 5,808,570	\$ 5,566,669
Fringe Benefits.....	11,583,533	9,035,782	8,672,802	6,783,211	5,858,125	5,317,403	4,853,118	4,785,964	4,221,636	4,143,021
Materials, Supplies and Training.....	3,174,573	3,237,323	2,921,073	2,501,737	3,045,136	3,800,800	3,638,790	3,085,079	2,512,522	2,198,564
ODOT Fuel Tax Reimbursement.....	(105,603)	(87,114)	(98,013)	(105,527)	(108,694)	(118,853)	(118,412)	(125,428)	(142,943)	-
Services.....	1,680,512	1,483,953	1,454,817	1,313,963	1,375,355	890,085	1,146,558	998,807	884,687	728,318
Utilities.....	544,078	532,743	453,531	415,293	414,994	171,951	271,048	326,085	237,395	241,461
Casualty & Liability Insurance.....	710,429	539,302	498,287	683,314	476,012	521,659	465,550	388,802	368,469	617,237
Leases & Rentals.....	38,630	39,491	47,266	28,922	52,462	19,100	20,311	237	2,930	1,738
Miscellaneous.....	1,057,656	704,310	1,102,073	1,012,790	231,512	303,775	403,070	236,161	322,725	356,638
TOTAL OPERATING EXPENSES	27,819,647	23,805,860	22,974,269	20,234,873	18,487,394	17,699,471	17,076,848	15,598,018	14,215,991	13,853,646
Before Depreciation Expense.....	\$ 27,819,647	\$ 23,805,860	\$ 22,974,269	\$ 20,234,873	\$ 18,487,394	\$ 17,699,471	\$ 17,076,848	\$ 15,598,018	\$ 14,215,991	\$ 13,853,646
OPERATING LOSS										
Before Depreciation Expense.....	\$ (25,759,319)	\$ (21,404,105)	\$ (20,735,050)	\$ (17,939,106)	\$ (16,038,467)	\$ (15,384,686)	\$ (15,188,093)	\$ (13,860,743)	\$ (12,401,119)	\$ (12,250,736)
Depreciation Expense.....	4,309,511	4,504,509	4,064,382	3,755,115	3,453,601	2,999,536	3,586,813	3,611,443	3,415,401	1,911,419
OPERATING LOSS.....	\$ (30,068,830)	\$ (25,908,614)	\$ (24,799,432)	\$ (21,694,221)	\$ (19,492,068)	\$ (18,384,222)	\$ (18,774,906)	\$ (17,472,186)	\$ (15,816,520)	\$ (14,162,155)
NON - OPERATING REVENUES (EXPENSES)										
Sales Tax Revenues.....	\$ 15,187,998	\$ 15,748,323	\$ 15,231,084	\$ 14,812,362	\$ 14,573,689	\$ 14,225,476	\$ 13,008,940	\$ 12,636,571	\$ 12,017,178	\$ 11,367,468
Operating Grants and Reimbursements.....	5,867,299	2,659,812	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
Federal Capital & Operating Grants.....	-	-	-	-	-	-	-	-	-	2,010,817
State Preventative Maintenance.....	-	-	-	-	-	-	-	-	-	25,380
Elderly & Disables Assistance.....	-	-	-	-	-	-	-	-	-	372,917
Federal Planning Grants.....	-	-	-	-	-	-	-	-	-	190,354
Investment/Interest Income.....	243,150	151,675	40,546	67,488	17,604	37,692	17,720	9,979	1,534	19,799
Sales Tax Collection Expense.....	(151,880)	(149,527)	(148,633)	(148,124)	(145,737)	(144,995)	(130,089)	(125,115)	(120,172)	(112,509)
Gain (Loss) on Disposal of Capital Assets.....	600	6,246	12,366	675	(58,557)	(1,944)	(45,339)	(75,508)	(16,379)	(13,259)
Non-transportation Revenues.....	170,342	151,609	124,505	20,810	54,616	110,360	76,870	26,552	22,190	32,079
Special Item*.....	-	-	-	-	-	-	-	-	-	(79,708)
NON - OPERATING REVENUES/EXPENSES - NET...	\$ 21,317,509	\$ 18,568,138	\$ 20,509,450	\$ 19,178,004	\$ 17,492,357	\$ 18,060,318	\$ 18,535,629	\$ 15,616,874	\$ 14,574,229	\$ 15,655,006
CAPITAL GRANT REVENUE										
Federal Capital Grant.....	\$ 4,854,908	\$ 3,779,496	\$ 2,519,273	\$ 15,968,541	\$ 3,736,887	\$ 3,059,094	\$ 2,425,592	\$ 5,391,151	\$ 4,203,691	\$ 5,674,426
State/Local Capital Grant.....	-	-	-	-	-	-	-	2,981,752	97,900	500,000
Restricted Federal Capital Grant.....	-	-	-	-	-	230,753	-	100,000	38,899	-
TOTAL CAPITAL GRANTS.....	\$ 4,854,908	\$ 3,779,496	\$ 2,519,273	\$ 15,968,541	\$ 3,736,887	\$ 3,289,847	\$ 2,425,592	\$ 8,472,903	\$ 4,340,490	\$ 6,174,426
CHANGE IN NET POSITION.....	\$ (3,896,413)	\$ (3,560,980)	\$ (1,770,709)	\$ 13,452,324	\$ 1,737,176	\$ 2,965,943	\$ 2,186,315	\$ 6,617,591	\$ 3,098,199	\$ 7,667,277

*2010 Employee Settlements & IRS Settlements



Revenue Capacity Information 2019

(Unaudited)

Table 3 – Revenue Base

Table 4 – Passenger Revenue Rates

Table 5 – Sales Tax Revenue

STARK AREA REGIONAL TRANSIT AUTHORITY

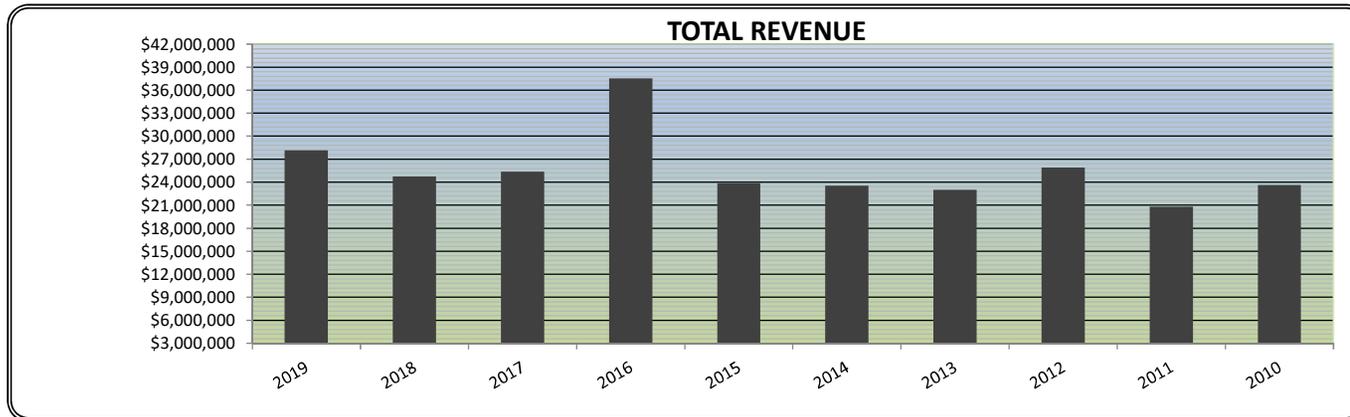
REVENUE BASE

LAST TEN YEARS

(Unaudited)

Table 3

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
FARES	\$2,060,328	\$2,401,755	\$2,239,219	\$2,295,767	\$2,448,927	\$2,314,785	\$1,888,755	\$1,737,275	\$1,814,872	\$1,580,734
SALES TAX	\$15,187,998	\$15,748,323	\$15,231,084	\$14,812,362	\$14,573,689	\$14,225,476	\$13,008,940	\$12,636,571	\$12,017,178	\$11,367,468
FEDERAL:										
Operating Grants	\$5,867,299	\$2,659,812	\$5,249,582	\$4,424,793	\$3,050,742	\$3,833,729	\$5,607,527	\$3,144,395	\$2,669,878	\$553,684
Capital Grant Reimbursements	\$4,854,908	\$3,779,496	\$2,519,273	\$15,968,541	\$3,736,887	\$3,059,094	\$2,425,592	\$5,391,151	\$4,203,691	\$9,163,581
STATE:										
Special Fare Assistance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$372,917
Capital Grant Reimbursements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$525,380
LOCAL:										
Reimbursement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,981,752	\$97,900	\$0
Nontransportation	\$170,342	\$151,609	\$124,505	\$20,810	\$54,616	\$110,360	\$76,870	\$26,522	\$22,190	\$32,079
Misc Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,975
	\$28,140,875	\$24,740,995	\$25,363,663	\$37,522,273	\$23,864,861	\$23,543,444	\$23,007,684	\$25,917,666	\$20,825,709	\$23,637,818



**STARK AREA REGIONAL TRANSIT AUTHORITY
PASSENGER REVENUE RATES
(As of December 31, 2019)**

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 a 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 arrange a ride through Proline (based on availability)

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

Day Pass – Good for 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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
SALES TAX REVENUE	\$15,187,998	\$15,748,323	\$15,231,084	\$14,812,362	\$14,573,689	\$14,225,476	\$13,008,940	\$12,636,571	\$12,017,178	\$11,367,468
POPULATION*	370,606	375,586	372,542	375,586	375,165	375,584	375,895	374,868	375,087	375,417
SALES TAX PER CAPITA	\$40.98	\$41.93	\$40.88	\$39.44	\$38.85	\$37.88	\$34.61	\$33.71	\$32.04	\$30.28

* 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
- 2013 <http://quickfacts.census.gov/qof/stats/39/39151.html> <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>
- 2018 <https://suburbanstats.org/population/ohio/how-many-people-live-in-stark-county>
- 2019 <https://census.gov/quickfacts/fact/table/starkcountyohio>



Operating Information 2019

(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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
VEHICLE OPERATIONS	160	164	162	163	165	165	159	159	132	144
VEHICLE MAINTENANCE	29	27	31	28	28	29	20	20	28	28
NON-VEHICLE MAINTENANCE	4	4	4	3	3	4	3	3	3	3
GENERAL ADMINISTRATION	29	20	19	19	19	18	23	23	18	16
TOTAL OPERATING LABOR	222	215	216	213	215	216	205	205	181	191
TOTAL CAPITAL LABOR	0	0	0	0	0	0	0	0	0	0
TOTAL LABOR	222	215	216	213	215	216	205	205	181	191

Data compiled from SARTA Payroll and Human Resource reports

STARK AREA REGIONAL TRANSIT AUTHORITY
OPERATING INDICATORS
Last Ten Years
(Unaudited)

Table 7

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>System Ridership*1</u>											
Fixed Route	2,171,556	2,290,017	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
Paratransit	158,983	161,264	162,339	171,493	136,901	140,747	138,147	139,992	128,034	128,905	138,217
Shuttles and Specials	25,325	28,951	21,619	29,949	44,937	26,034	22,129	16,607	10,636	19,958	30,702
<u>Average Weekday*1</u>											
<u>System Ridership</u>											
Fixed Route	7,459	7,909	7,111	8,038	9,009	10,398	9,152	8,719	8,053	6,940	7,187
Paratransit	571	576	632	617	552	497	497	455	457	461	495
<u>Average Weekday*1</u>											
<u>Miles Operated</u>											
Fixed Route	8,238	8,219	7,767	7,988	8,850	8,740	8,812	8,695	7,592	7,465	7,800
Paratransit	5,112	5,371	5,307	5,390	5,672	5,852	4,620	4,404	3,905	4,176	3,752
<u>Revenue Miles*1</u>											
Fixed Route	2,296,131	2,318,669	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
Paratransit	1,268,835	1,281,624	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
<u>Passenger Miles*1</u>											
Fixed Route	14,799,713	15,374,255	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
Paratransit	1,353,178	1,425,633	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
<u>Energy Consumption*2</u>											
Gallons of CNG & diesel/biodiesel	654,199	631,499	646,626	575,555	638,703	622,585	576,992	573,162	529,331	534,326	575,616
Cost	\$1,266,898	\$851,984	\$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
Avg Cost Per Gallon	\$1.94	\$1.35	\$1.33	\$1.31	\$1.84	\$2.75	\$3.26	\$3.21	\$3.03	\$2.33	\$2.58
<u>Fleet Requirement*1</u>											
Fixed Route	36	36	36	33	34	34	34	34	34	32	35
Paratransit	30	30	30	30	26	23	23	23	23	23	23
<u>Total Active Vehicles*1</u>											
Fixed Route	47	47	50	52	38	43	43	39	38	38	40
Paratransit	53	53	52	42	42	41	41	41	42	42	43
<u>Number of Employees*3</u>											
Full Time Equivalent	222	215	216	213	215	216	205	205	181	191	179

*1-Data compiled from National Transit Database

*2-Data compiled from maintenance department

*3-Data compiled from payroll department

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

Table 8

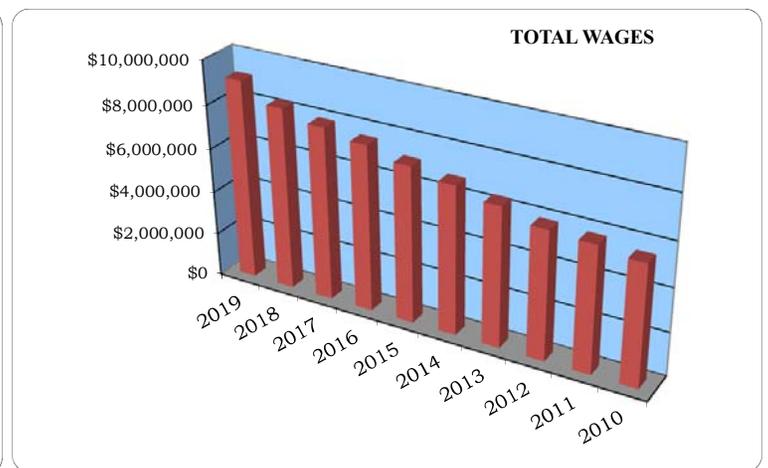
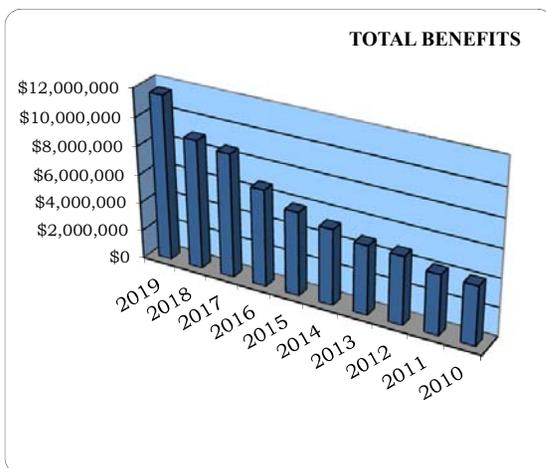
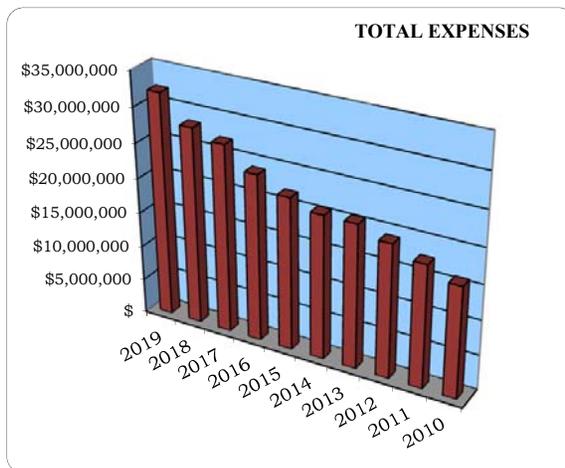
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Labor	\$9,135,839	\$8,320,070	\$7,922,433	\$7,601,170	\$7,142,492	\$6,793,551	\$6,396,815	\$5,902,311	\$5,808,570	\$5,566,669
Fringe Benefits	\$11,583,533	\$9,035,782	\$8,672,802	\$6,783,211	\$5,858,125	\$5,317,403	\$4,853,118	\$4,785,964	\$4,221,636	\$4,143,021
General & Administrative	\$7,100,275	\$6,450,008	\$6,379,034	\$5,850,492	\$5,486,777	\$5,588,517	\$5,826,915	\$4,909,743	\$4,185,785	\$4,349,432
Depreciation	\$4,309,511	\$4,504,509	\$4,064,382	\$3,755,115	\$3,453,601	\$2,999,536	\$3,586,813	\$3,611,443	\$3,415,401	\$1,911,419
	\$32,129,158	\$28,310,369	\$27,038,651	\$23,989,988	\$21,940,995	\$20,699,007	\$20,663,661	\$19,209,461	\$17,631,392	\$15,970,541

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Wages	\$9,135,839	\$8,320,070	\$7,922,433	\$7,601,170	\$7,142,492	\$6,793,551	\$6,396,815	\$5,902,311	\$5,808,570	\$5,566,669
Benefits	\$11,583,533	\$9,035,782	\$8,672,802	\$6,783,211	\$5,858,125	\$5,317,403	\$4,853,118	\$4,785,964	\$4,221,636	\$4,143,021
Services	\$1,680,512	\$1,483,953	\$1,454,817	\$1,313,963	\$1,375,355	\$890,085	\$1,146,558	\$998,807	\$884,687	\$728,318
Supplies **	\$3,068,970	\$3,150,209	\$2,823,060	\$2,396,210	\$2,936,442	\$3,681,947	\$3,520,378	\$2,959,651	\$2,369,740	\$2,198,564
Utilities	\$544,078	\$532,743	\$453,531	\$415,293	\$414,994	\$171,951	\$271,048	\$326,085	\$237,395	\$241,461
Casualty & Liability **	\$710,429	\$539,302	\$498,287	\$683,314	\$476,012	\$521,659	\$465,550	\$388,802	\$368,469	\$617,237
Depreciation	\$4,309,511	\$4,504,509	\$4,064,382	\$3,755,115	\$3,453,601	\$2,999,536	\$3,586,813	\$3,611,443	\$3,415,401	\$1,911,419
Miscellaneous Expenses	\$1,096,286	\$743,801	\$1,149,339	\$1,041,712	\$283,974	\$322,875	\$423,381	\$236,398	\$325,494	\$563,852
Total Expenses	\$32,129,158	\$28,310,369	\$27,038,651	\$23,989,988	\$21,940,995	\$20,699,007	\$20,663,661	\$19,209,461	\$17,631,392	\$15,970,541

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue Vehicle Inventory										
Heavy Duty Vehicles	47	47	50	52	38	43	43	39	38	38
Light Duty Vehicles	53	53	52	42	42	41	41	41	42	42
Total Revenue Vehicle Inventory	100	100	102	94	102	102	84	80	80	80
Administration/Maintenance Buildings	1	1	1	1	1	1	1	1	1	1
Transit Stations	4	4	4	4	4	4	4	4	4	3

Data compiled from SARTA inventory count



Debt Capacity Information 2019

(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	COVERAGE
2019	\$28,384,625	\$27,971,527	\$413,098				
2018	\$24,898,920	\$23,955,387	\$943,533				
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				

(1) Gross revenues include interest, planning grants, special fares assistance, local grants, gain on disposal of capital assets, and other non-operating revenues.

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

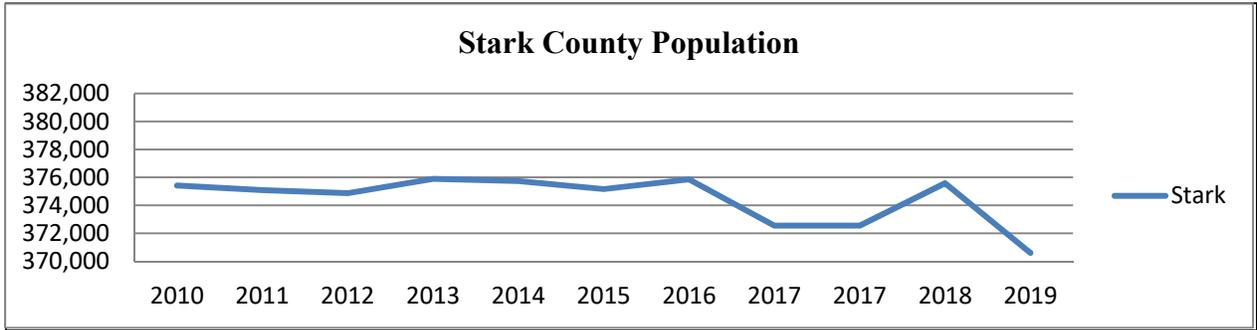


Economic & Demographic Information 2019

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.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Stark	375,417	375,087	374,868	375,895	375,584	375,165	375,586	372,542	375,586	370,606

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 downward 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 2019 was 4.5 %² compared with the national average of 3.5%²

¹ <http://www.censu.gov/quickfatcts>

² <http://homefacts.com/unemployment/Ohio/Stark-County.html>

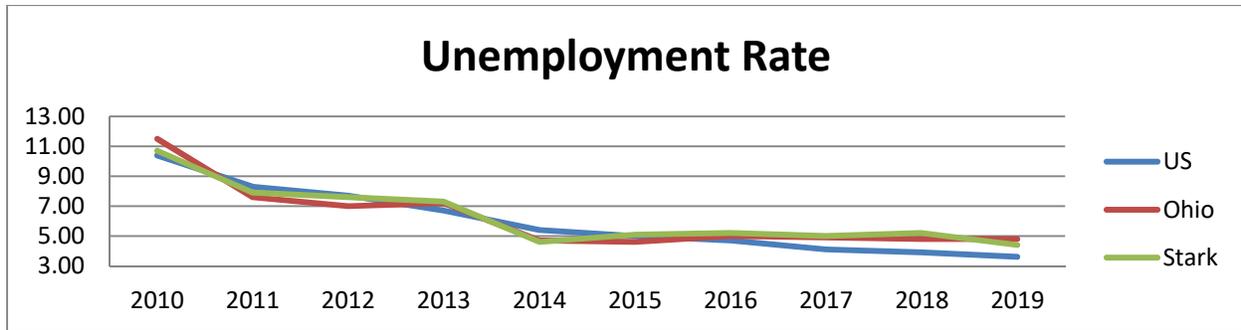
Stark County Major Employers

PRIOR YEAR AND NINE YEARS AGO
(Unaudited)

2018 Employers*1	Nature of Activity	Employees	Percentage of Total City Employment
Aultman Hospital	Health Service	7,300	16.64%
Mercy Medical	Health Service	2,784	6.34%
Canton City School	Education	2,299	5.24%
Stark County	Government	1,894	4.32%
Fresh Mark Inc	Meat Processing	1,744	3.97%
Timken Steel	Steel	1,384	3.15%
City of Canton	Municipal Government	925	2.11%
Nationwide	Insurance Provider	549	1.25%
MK Morse Co	Saw Blades and Accessories	537	1.22%
Republic Engineer	Hot-Rolled and cold finisher steel bars and specialty steels	529	1.21%
Total		<u>19,945</u>	<u>45.45%</u>
	Estimated Total Employment within the City	<u>43,881</u>	

2009 Employers *1	Nature of Activity	Employees	Percentage of Total City Employment
Aultman Hospital	Health Service	5,220	19.62%
The Timken Co.	Tapered roller bearings and steel	2,753	10.35%
Stark County	County Government	2,649	9.96%
Mercy Medical Center	Health Service	2,624	9.86%
Canton City School District	Education	2,177	8.18%
City of Canton	Municipal Government	1,086	4.08%
Fresh Mark Inc.	Meat Processing	800	3.01%
Nationwide Insurance	Insurance Provider	780	2.93%
Republic Engineered Steels, Inc	Hot-rolled and cold finished steel bars and specialty steels	644	2.42%
United States Postal Service	Federal Government	435	1.64%
Total		<u>19,168</u>	<u>72.05%</u>
	Estimated Total Employment within the City	<u>26,604</u>	

*1 – Source: <http://www.cantonohio.gov/ArchiveCenter/ViewFile/Item/190>
(Information not updated for 2019)



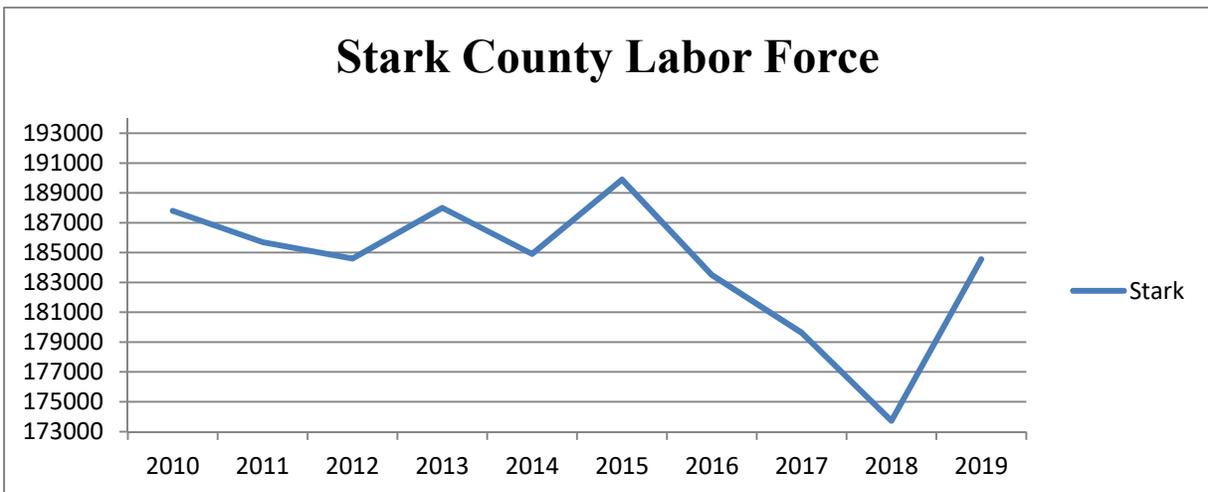
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	10.4	8.3	7.7	6.7	5.4	5.0	4.7	4.1	3.9	3.5
Ohio	11.5	7.6	7	7.2	4.7	4.6	5.0	4.9	4.8	3.8
Stark	10.7	7.9	7.6	7.3	4.6	5.1	5.2	5.0	5.2	4.5

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

Source: <http://jfs.ohio.gov/county/index.stm>

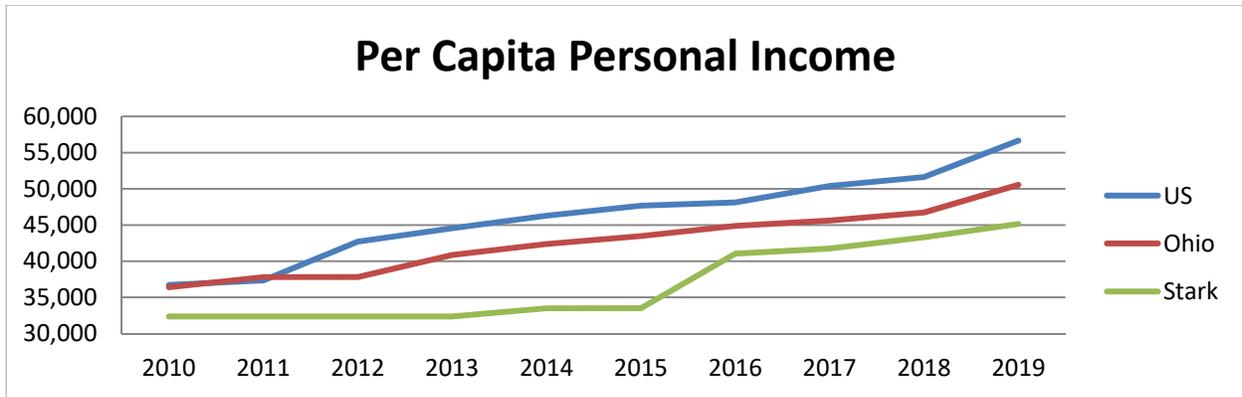
Source: <http://jfs.ohio.gov/county/entyp/entyp13/Stark.stm>

Source: <http://www.homefacts/unemployment/ohio/stark-county>



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Stark	187,800	185,700	184,600	188,000	184,908	189,900	183,500	179,626	173,722	184,552

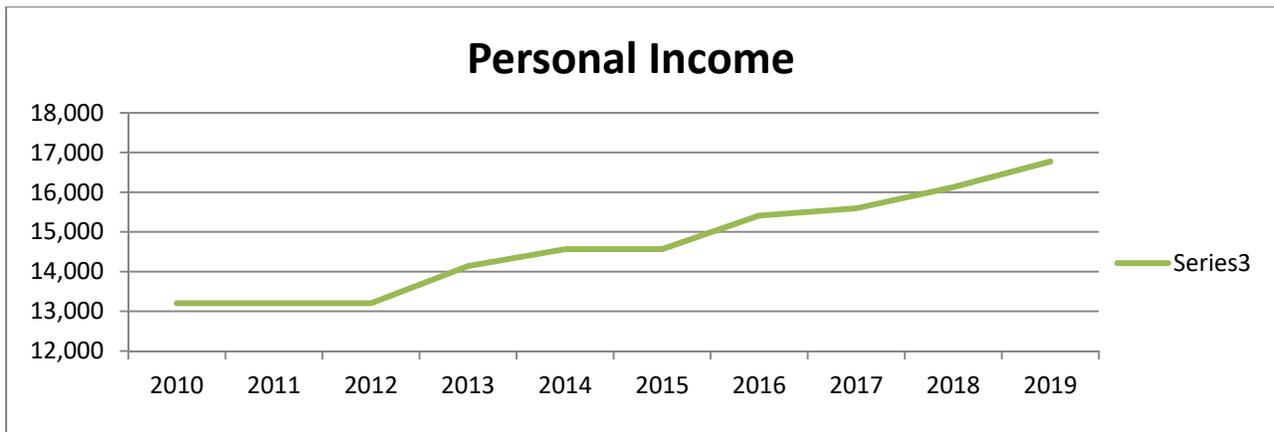
Source: <http://beta.bls.gov/dataviewer>



Per Capita Personal Income

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	36,697	37,345	42,693	44,543	46,280	47,669	48,111	50,392	51,640	56,663
Ohio	36,395	37,791	37,791	40,865	42,377	43,478	44,876	45,615	46,732	50,546
Stark	32,356	32,356	32,356	32,356	33,488	33,488	41,026	41,741	43,293	45,136

Source: Bureau of Economic Analysis, US Department of Commerce
 Source: <https://united-states.reaproject.org/analysis/comparative-trendsanalysis>



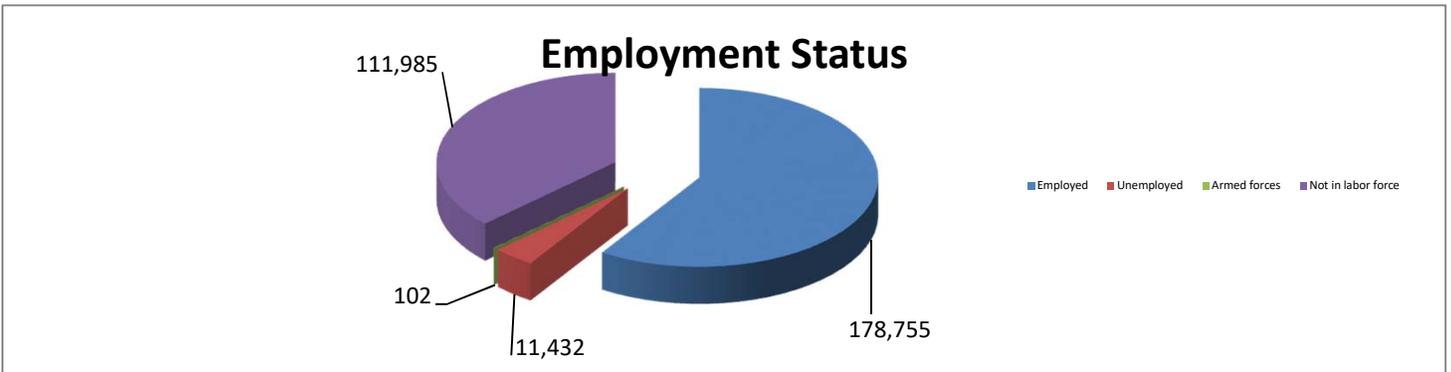
Personal Income in millions of dollars

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US	\$12,701,052	\$13,105,700	\$13,602,600	14,309,800	14,882,192	\$15,551,891	\$15,463,981	\$16,413,550	\$16,820,250	\$18,599,062
Ohio	\$425,614	\$436,297	\$436,297	\$472,845	\$487,030	\$501,641	\$521,208	\$531,810	\$544,828	\$590,838
Stark Co	\$13,201	\$13,201	\$13,201	\$14,141	\$14,565	\$14,565	\$15,408	\$15,594	\$16,128	\$16,771

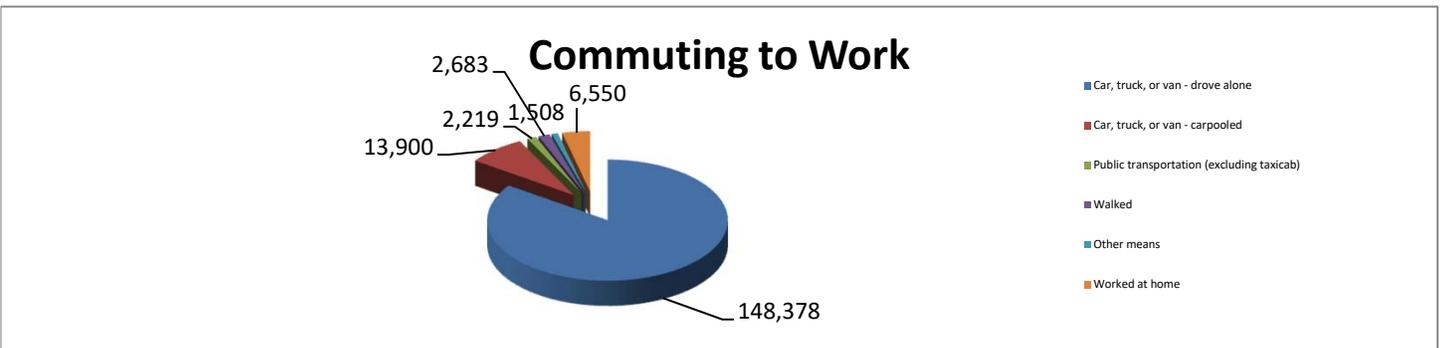
Source: Bureau of Economic Analysis, US Department of Commerce - Link: www.bea.gov
 Source: <https://www.census.gov/>

STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
2018 Community Survey*
 US Census Bureau / American Fact Finder
 (Unaudited)

Employment Status	Number	Percent
Population 16 Years and Over	302,274	100%
Employed	178,755	59.14%
Unemployed	11,432	3.78%
Armed forces	102	0.03%
Not in labor force	111,985	37.05%



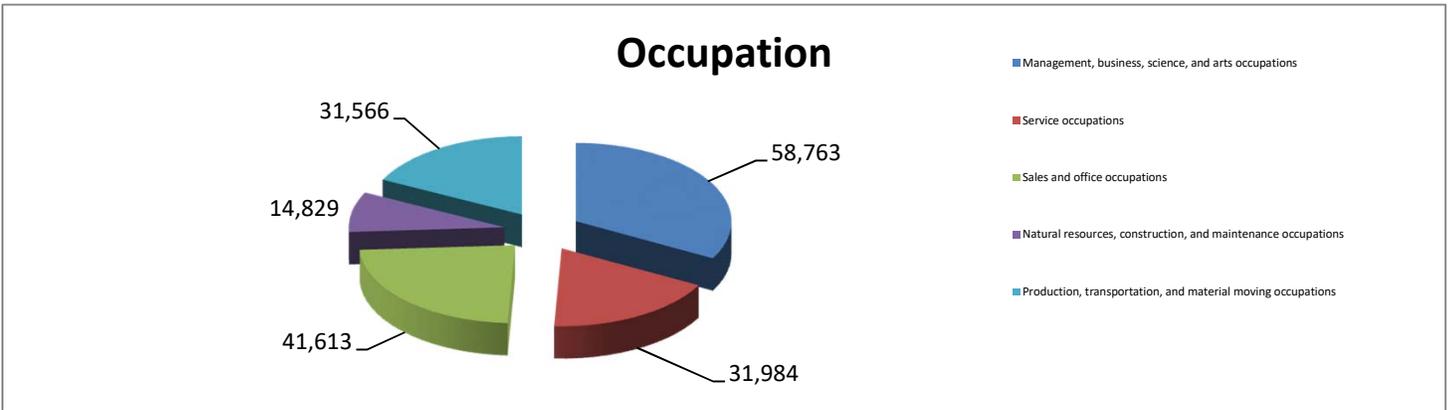
Commuting to Work	Number	Percent
Workers 16 Years and Over	175,238	100%
Car, truck, or van - drove alone	148,378	84.67%
Car, truck, or van - carpooled	13,900	7.93%
Public transportation (excluding taxicab)	2,219	1.27%
Walked	2,683	1.53%
Other means	1,508	0.86%
Worked at home	6,550	3.74%
Mean travel time to work (minutes)	21.9	



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
2018 Community Survey*
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DEMOGRAPHICS (CONTINUED)

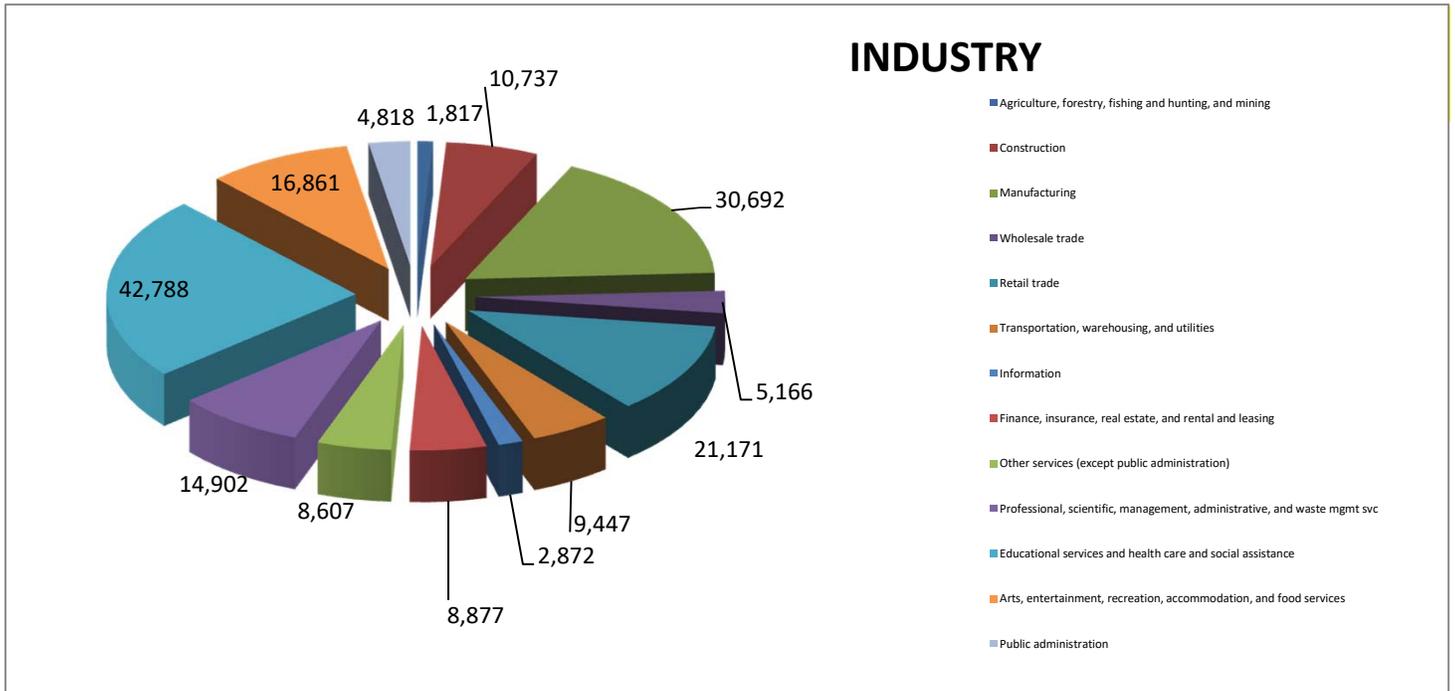
Occupation	Number	Percent
Employed Civilian Population 16 Years and Over	178,755	100%
Management, business, science, and arts occupations	58,763	32.87%
Service occupations	31,984	17.89%
Sales and office occupations	41,613	23.28%
Natural resources, construction, and maintenance occupations	14,829	8.30%
Production, transportation, and material moving occupations	31,566	17.66%



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
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DEMOGRAPHICS (CONTINUED)

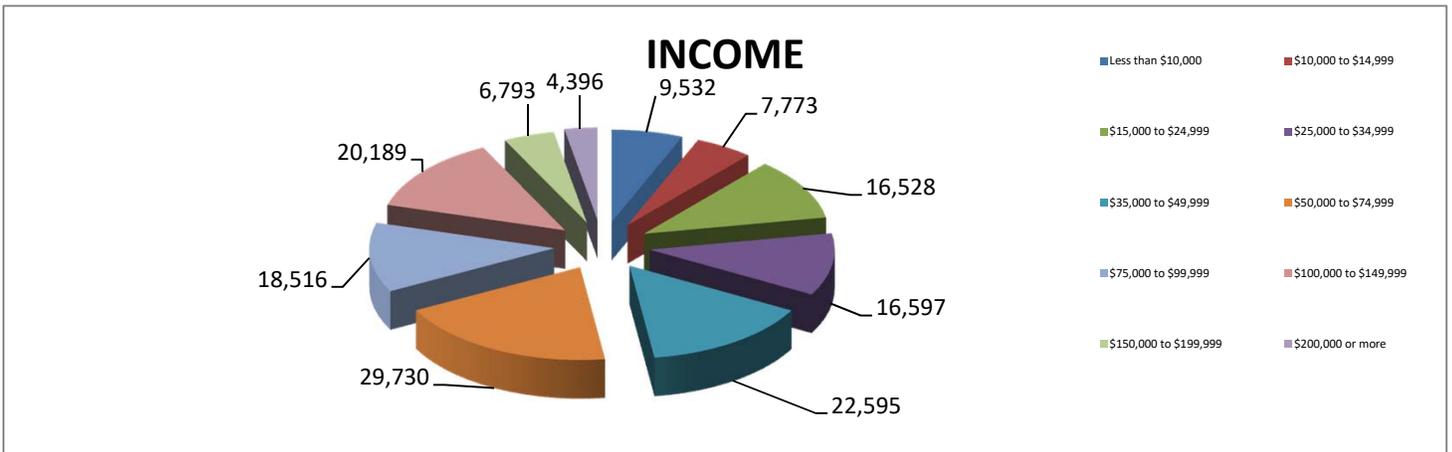
Industry	Number	Percent
Employed Civilian Population 16 Years and Over	178,755	100%
Agriculture, forestry, fishing and hunting, and mining	1,817	1.02%
Construction	10,737	6.01%
Manufacturing	30,692	17.17%
Wholesale trade	5,166	2.89%
Retail trade	21,171	11.84%
Transportation, warehousing, and utilities	9,447	5.28%
Information	2,872	1.61%
Finance, insurance, real estate, and rental and leasing	8,877	4.97%
Other services (except public administration)	8,607	4.81%
Professional, scientific, management, administrative, and waste mgmt svc	14,902	8.34%
Educational services and health care and social assistance	42,788	23.94%
Arts, entertainment, recreation, accommodation, and food services	16,861	9.43%
Public administration	4,818	2.70%



STARK AREA REGIONAL TRANSIT AUTHORITY
STARK COUNTY DEMOGRAPHICS
2018 Community Survey*
 US Census Bureau / American Fact Finder
 (Unaudited)

DEMOGRAPHICS (CONTINUED)

Income	Number	Percent
Households	152,649	100%
Less than \$10,000	9,532	6.24%
\$10,000 to \$14,999	7,773	5.09%
\$15,000 to \$24,999	16,528	10.83%
\$25,000 to \$34,999	16,597	10.87%
\$35,000 to \$49,999	22,595	14.80%
\$50,000 to \$74,999	29,730	19.48%
\$75,000 to \$99,999	18,516	12.13%
\$100,000 to \$149,999	20,189	13.23%
\$150,000 to \$199,999	6,793	4.45%
\$200,000 or more	4,396	2.88%
Median household income (dollars)	52,190	



*2019 US Census survey results not available at time of reporting.

Source: U.S. Census Bureau, 2014-2018 American Community Survey

<https://data.census.gov/cedsci/table?d>