STARK AREA
REGIONAL TRANSIT AUTHORITY

Single Audit Report

For the Year Ended December 31, 2005

(With Independent Auditors' Reports Thereon)

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

We have reviewed the *Independent Auditors' Report* of the Stark Area Regional Transit Authority, Stark County, prepared by Watson Rice & Co., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 26, 2006

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STARK AREA REGIONAL TRANSIT AUTHORITY

Single Audit Report

For the Year Ended December 31, 2005

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WATSON
RICE&CO.
Certified Public Accountants
A Professional Corporation

601 City Club Building
850 Euclid Avenue
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(216) 696-0767
(216) 696-1145 Fax

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

To The Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Betty Montgomery, Auditor of State
Columbus, Ohio

We have audited the financial statements of the Stark Area Regional Transit Authority (the "Authority"), as of and for the year ended December 31, 2005 and have issued our report thereon dated March 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the Authority in a separate letter dated March 28, 2006.

This report is intended solely for the information and use of the finance committee, Board of Trustees, management, others within the organization and federal awarding agencies and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Watson Rice & Co.

March 28, 2006

WATSON RICE & CO.

Certified Public Accountants
A Professional Corporation

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850 Euclid Avenue
Cleveland, Ohio 44114
(216) 696-0767
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To The Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Betty Montgomery, Auditor of State
Columbus, Ohio

Compliance

We have audited the compliance of the Stark Area Regional Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

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

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

Schedule of Expenditures of Federal Awards
We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2005, and have issued our report thereon dated March 28, 2006. Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the finance committee, Board of Trustee, management, others within the organization, federal awarding agencies, pass-through entities and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Watson Rice & Co.

March 28, 2006

STARK AREA REGIONAL TRANSIT AUTHORITY
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/Program Title	**Federal CFDA Number**	**Federal Grant Number**	**Grant Expenditures**
U.S. DEPARTMENT OF TRANSPORTATION			
FEDERAL TRANSIT CLUSTER			
Direct Program:			
Federal Transit Administration - Capital and Operating Assistance Formula Grants	20.507	OH-03-0221	$ 6,428
		OH-03-0235	263,565
		OH-03-0256	310,011
		OH-03-0260	46,700
		OH-03-0274	239,963
		OH-90-0326	9
		OH-90-0354	73,400
		OH-90-0376	883,875
		OH-90-0417	473,245
		OH-90-0419	197,425
		OH-90-0434	103,023
		OH-90-0474	61,182
		OH-90-0498	1,218,691
TOTAL EXPENDITURES OF FEDERAL AWARDS			$3,877,517

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

STARK AREA REGIONAL TRANSIT AUTHORITY
NOTE TO THE SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. BASIS OF PRESENTATION:

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Stark Area Regional Transit Authority under programs financed by the U.S. Government for the year ended December 31, 2005. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations,* using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

STARK AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Summary of Auditors' Results:

-------> Type of Report issued on the Financial Statements as of and for the Year Ended December 31, 2005 - Unqualified.

-----> Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements – No.

-----> Noncompliance Noted that is Material to the Financial Statements of the Authority - None.

-----> Reportable Conditions in Internal Control Over Major Federal Financial Assistance Programs Disclosed by the Audit of the Financial Statements - No.

-----> Type of Report Issued on Compliance for Major Federal Financial Assistance Programs - Unqualified.

-----> The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133.

-----> Major Federal Financial Assistance Programs Identified for the Year Ended December 31, 2005:

----->Federal Transit Cluster

--------> CFDA #20.507: Federal Transit Administration – Capital and Operating Assistance Formula Grants

-----> Dollar Threshold Used to Distinguish Between Type A and Type B Programs - $300,000.

-----> The Authority is considered to be a Low Risk Auditee as defined under OMB Circular A-133.

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

None.

Findings and questioned Costs Relating to Federal Awards:

None.

SARTA

Comprehensive Annual Financial Report

for the year ended December 31, 2005

STARK COUNTY, OHIO

STARK AREA REGIONAL TRANSIT AUTHORITY

Comprehensive Annual Financial Report

for the year ended December 31, 2005

Charles Odimgbe

Executive Director/CEO

Charles DeGraff

President, Board of Trustees

Prepared by
The Department of Finance & Administration
Carole A. Winchell, CPA, MBA
Director

STARK COUNTY, OHIO

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Stark Area Regional Transit Authority

Comprehensive Annual Financial Report
For the Fiscal Year Ended December 30, 2005

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Introductory Section 2005

STARK AREA REGIONAL TRANSIT AUTHORITY

1600 GATEWAY BLVD. SE • CANTON, OHIO 44707

PHONE: (330) 454-6132 • 1-800-379-3661

FAX: (330) 454-5476 • www.sartaonline.com

April 30, 2006

Charles DeGraff, President

Members, Board of Trustees

Stark Area Regional Transit Authority and Residents of Stark County

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, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that 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.

Watson, Rice & Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Stark Area Regional Transit Authority's (SARTA) financial statements for the year ended December 31, 2005. The Independent Auditor's Report is located at the front of the Financial Section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

SARTA is especially proud that both its first and second Comprehensive Annual Financial Reports (CAFRs) were awarded the Certificate of Achievement for Excellence in Financial Reporting, by the Government Finance Officers Association (GFOA). The award evidences the fact that our 2003 and 2004 CAFRs complied with stringent GFOA standards for professional financial reporting.

Come ride with us!

The CAFR is divided into three sections as follows:

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

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

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

Charles Odimgbe
Executive Director/CEO/CFO

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, 2004

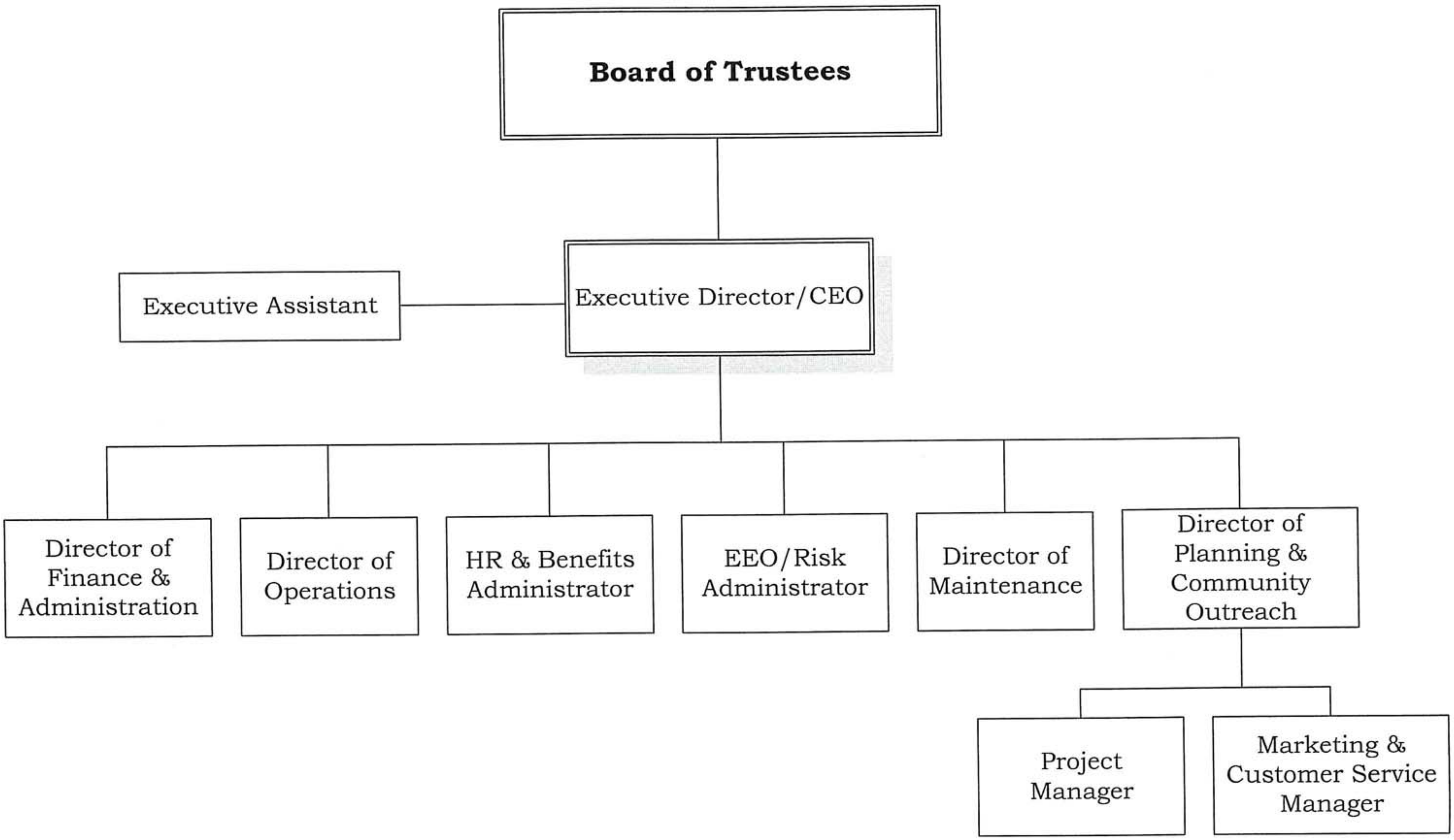
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

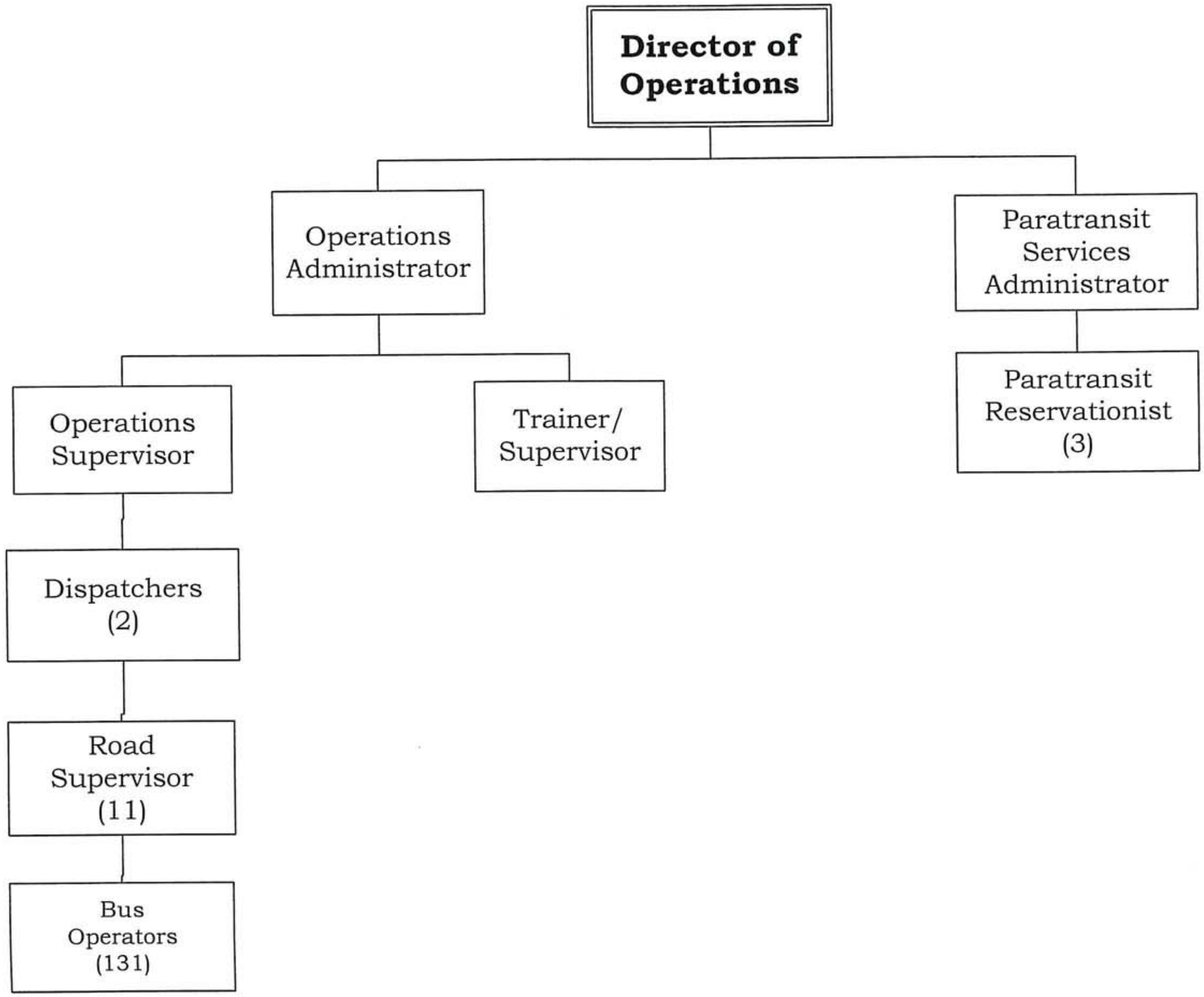
Executive Director

Stark Area Regional Transit Authority
Board of Trustees
2005-2006



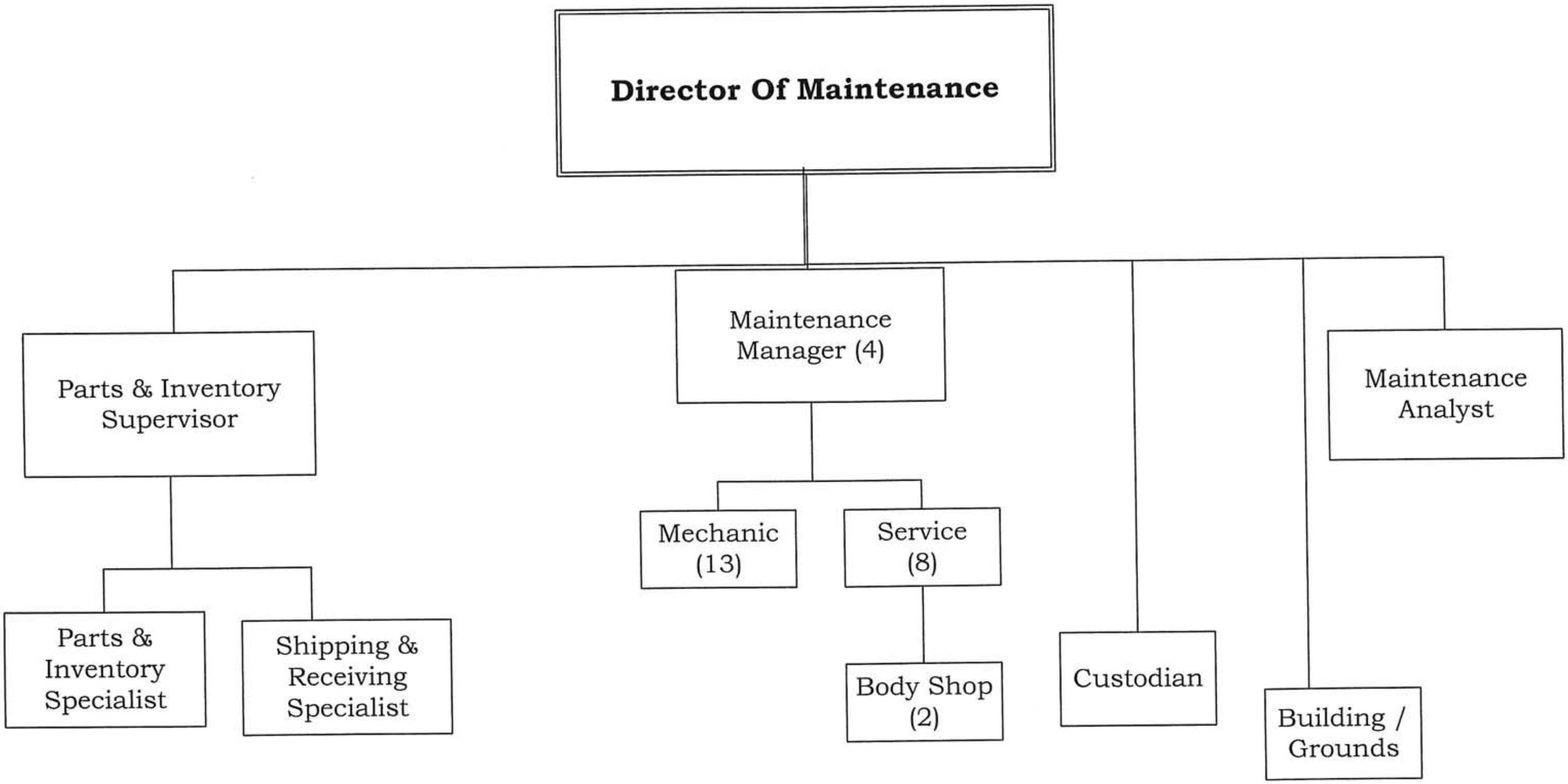
Stark Area Regional Transit Authority

Operations
2005-2006

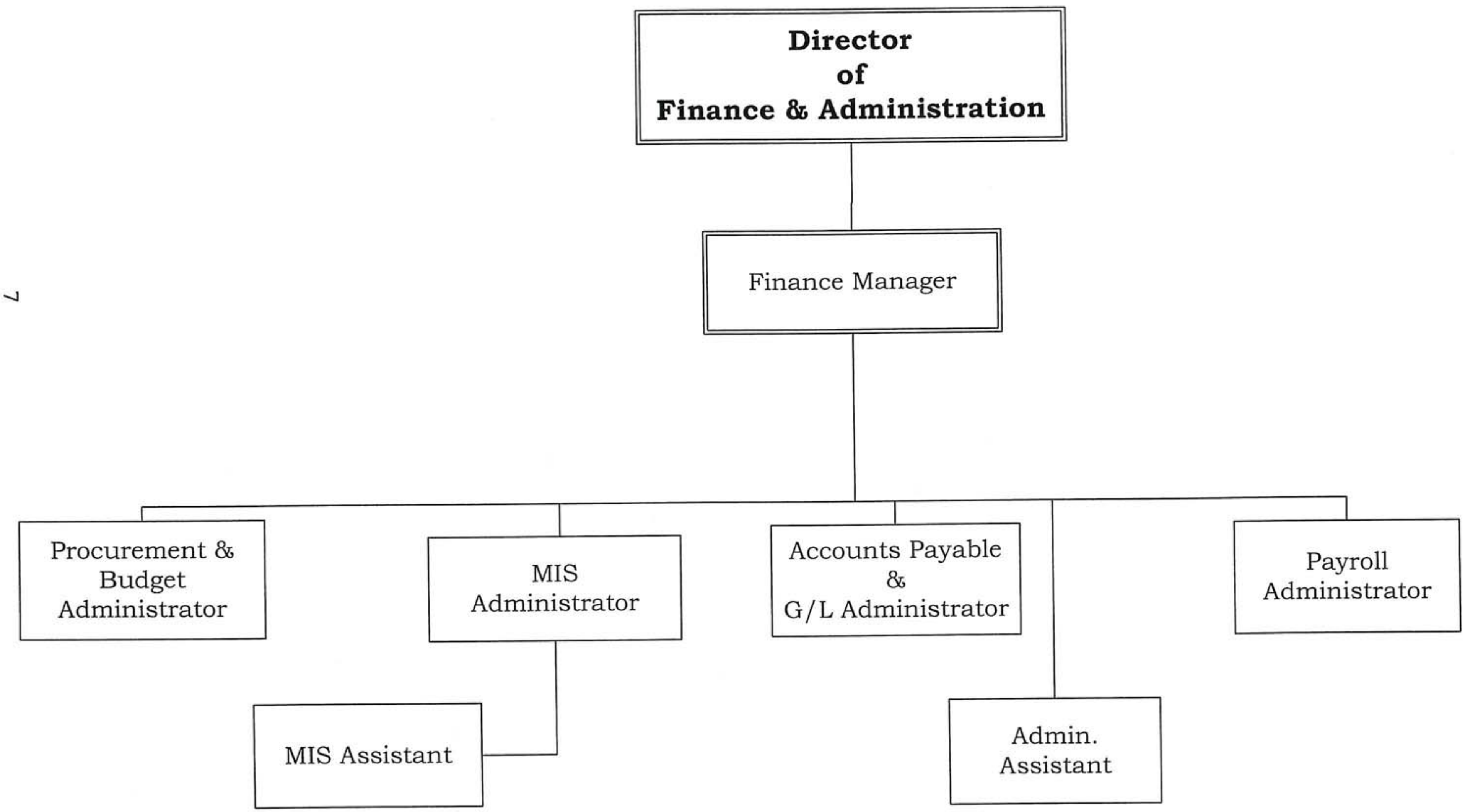


Stark Area Regional Transit Authority

Maintenance
2005-2006

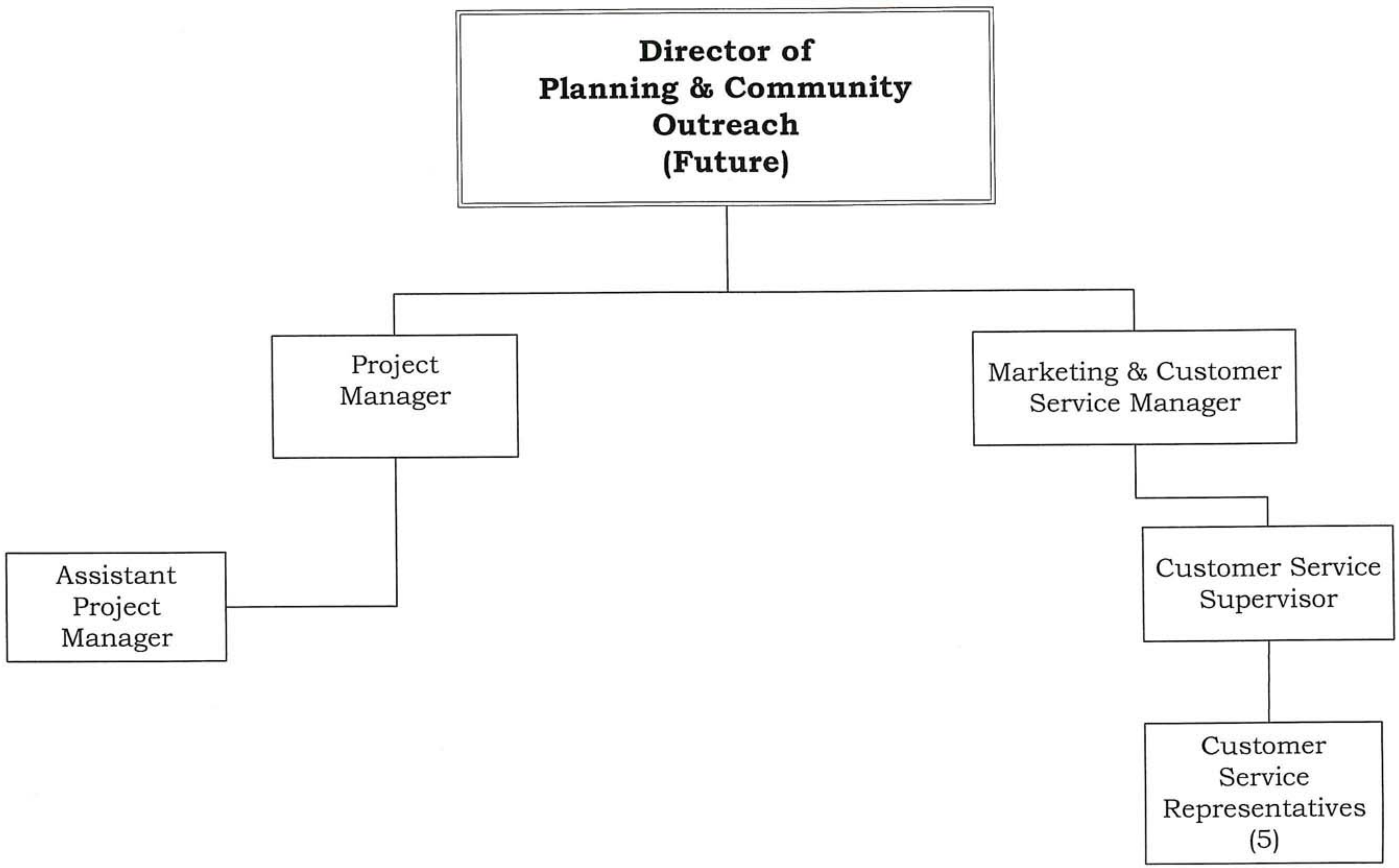


Stark Area Regional Transit Authority
Finance and Administration
2005-2006



Stark Area Regional Transit Authority

Planning and Community Outreach 2005-2006



SARTA

BOARD OF TRUSTEES AND MANAGEMENT

As of December 31, 2005

BOARD OF TRUSTEES

President	Charles DeGraff
Vice President	Nancy Johnson
Trustees	Gerald Bixler Phyllis Beyers Randy Bond Amanda Fletcher Fredrick Allen Moore William Rudner Chet Warren

MANAGEMENT

Executive Director/CEO	Charles Odimgbe
Director of Operations	Jerry Shilling
Director of Finance and Administration	Carole Winchell
Director of Maintenance	Epifanio Zayas
EEO/Safety and Risk Administrator	Jannet Friedman
Customer Service Manager	Jack Thompson
Human Resources & Benefits Administrator	Kelly Zachary

FINANCIAL INFORMATION

Internal Control

SARTA is responsible for establishing and maintaining an internal control system designed to ensure that its assets are protected from loss, theft or misuse and to ensure that 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 that the cost of a control should not exceed the benefits likely to be derived from its implementation. The valuation of costs and benefits requires estimates and judgments by management. SARTA's management believes its internal controls are adequate.

Basis of Accounting

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

Budgetary Control

SARTA prepares its annual operating budget and capital budget on the accrual basis of accounting. Department heads submit their budget proposals to the Director of Finance & Administration who assembles the budget, which is then presented to the Executive Team. The Executive Team adjusts and/or approves the budgets, which are then submitted to the Board Finance Committee. The Board Finance Committee submits the Budget to the Board at a public meeting. After a period of open discussion, the annual operating and capital budget is adopted.

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 that the use of funds is consistent with the goals and programs authorized by the Board of Trustees. Budget amendments may be submitted to the Board one or more times throughout the operating year.

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

ECONOMIC CONDITION AND OUTLOOK

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. Stark County covers an area of 567 square miles, and the 2000 Census population is 378,098 and estimated at 377,940 in 2002.

Stark County's economic development emphasis has been on the non-manufacturing sector in recent years. Several manufacturing companies remain among the largest employers, but now there are also numerous large service industry employers in the county. The Timken Company, Aultman Hospital and Stark County Government are the three largest employers.

The County's economy has grown significantly since the recession of the 1980's. Employment in the County has grown from a low in 1983 of 149,298 to 185,647 in 2002 with the increase attributable in great part to increased employment in non-manufacturing industries.

The County's total work force has exhibited a steady slow growth in recent years as shown in the following:

1998	180,400
1999	179,400
2000	181,800
2001	184,800
2002	185,647
2003	192,735
2004	189,335
2005	191,613

The Stark County Unemployment rate was 6.41% and 6.55% in 2003 and 2004, respectively. Stark County did experience a slight decrease in unemployment to 5.4% in 2004.

The taxable value of real property in Stark County was $5,371,131,720 in 2003 and $6,015,476,300 in 2004.

Note: Statistics obtained from the Ohio Department of Development and the Stark County Auditor's records and are the latest available at the time of publication.

Current Year Review

Tribute to Rosa Parks Day

December 1, 2005 marked the 50th anniversary of the day Rosa Parks sparked a Civil Rights boycott by refusing to give up her seat on a Montgomery, Alabama bus. The American Public Transportation Association (APTA) designated this day as a National Transit Tribute to Rosa Parks Day. SARTA participated in this commemoration honoring her memory by dedicating and wrapping a bus with her likeness. The dedication ceremony included area dignitaries including Mayor Janet Weir Creighton and State Representative William J. Healy II. The dedication took place at SARTA's Cornerstone transit station and was open to the public. This dedicated bus rotates on various routes throughout the city and features the slogan "It all started on a Bus". Groups and organizations have been invited to request the bus at their location for events and display. A photo and more information is displayed at our website www.sartaonline.com.

Gateway Renovation

The Administrative staff at SARTA was temporarily housed in work trailers for eight months while the building underwent a significant change in its appearance and functionality. This project was done in order to meet the functional, mechanical and space issues and for future growth. In short, SARTA is growing, which is good news for SARTA, riders and the community.

The project was funded through grants received from the Federal Transit Authority (FTA), Ohio Department of Transportation (ODOT) and Ohio Public Transit Association (OPTA).

By September 15, 2005 the staff was completely moved into their new surroundings. SARTA's growth is a visual representation of their commitment to the staff and service to the public for their transportation needs.

Strategic Planning & Long Range Goals

As part of our continued desire to improve service, SARTA management met for a one-day event at Kent State University to agree on future plans. Attendees began formulating plans for forming ten (10) Five-Year Projects and three (3) Ten-Year Projects. SARTA staff volunteered as team members and elected a teach chair as a representative for each project. Some of the projects are: Customer Service Information, Farebox Replacement, Downtown Circulators Using Trolleys, Hybrid Buses, Park & Rides and Multi-County Service.

Business Portal (Intranet)

2005 marked the beginning of SARTA employees having their own Intranet. Canton Computer Service (CCS) provided the employee training.

This project had 3 phases. The first phase began July 2005 with the new exchange server for the Great Plains Business Portal and workstation upgrades to the latest Microsoft operating system. September 2005 began the 2nd phase with Great Plains upgrade to version 8.0 with the help of CCS. This phase required moving from and e-requisition format to the new requisition manager. The 3rd phase, November 2005 started the Intranet introduction to staff and bus operators with Human Resources interface for earnings, personal information and online modifications.

By December 2005 the project was officially stated as complete. However, the staff is working with the IT (Information Technologies) Department by offering their input, suggestions and needed information that should be accessible on the Intranet.

This has been, and will continue to be, a helpful tool to the SARTA staff for in house communications and updates.

Employee Handbooks

The Board of Trustees gave their approval to the newly revised Bargaining & Non-Bargaining Handbooks. Although this was not the first time the handbooks had been updated, it was the first time that the handbooks had been keyed into the computer system for ease of future updates.

Akron-Canton Express

SARTA continued giving service on our Express 81 Route from Canton to Akron and back again. Although the Akron Metro System had decided to relinquish their participation in this shared service, SARTA viewed this route as a vital part of service to the community.

Seniors In Motion/SARTA's Senior of the Year

On Friday, October 28, 2005, the Stark Area Regional Transit Authority (SARTA) awarded Beth Hall with a pass to ride the bus for an entire year, a potted mum and a basket of donated items from Westfield Shoppingtown Belden Village, Canton Centre Mall, Fishers Foods and Lowe's. Beth's name was drawn from entry forms that Stark County senior citizens submitted during the two-week contest, October 3rd – 14th.

The contest was a new idea to promote Seniors In Motion, in conjunction with APTA (American Public Transportation Association), and kicking off the President's Council on Aging in December.

FUTURE PLANS

SARTA continues to look to the future not only for short-term goals but long range planning and projects that would benefit SARTA's clients and the community.

1. Belden Village & Additional Transfer Centers. In order to make the heavily utilized Belden Village area more rider-friendly, a transit transfer site will be placed in immediate proximity to the area of stores and businesses. The site will accommodate the current requirement of six buses pulling in, up to a maximum of ten buses, including circulators for the area. The total time from inception of the project to completion is projected to be three years, due to the land acquisition process. In addition to the Belden Village area, SARTA will explore other heavily utilized areas that could accommodate and benefit from our service.

2. Improved Shelter/Bus Stops. Five shelters with ADA (explain) accessibility and 25 bus stops with lighting and schedules (with Braille).

3. Bicycle Racks. Installation of bicycle racks on each bus with the capability.

4. Fare Box Replacement. Replacement of fare boxes in each of the fixed routes and curb-to-curb fleet of 86 buses. A new fare box system will provide SARTA with the opportunity to upgrade the software that generates the necessary fare collection data reports. The current software is DOS driven and the computer equipment itself is antiquated.

5. Lincoln Way Corridor. Bus pull-offs and decorative shelters along the Lincoln Way corridor. This historic roadway extends from Whipple to Jackson Avenue. SARTA, local and state politicians, business owners, residents and engineering experts are working in an effort to design a detailed plan for green-space, drainage and ingress/egress issues along this corridor. SARTA bus routes and customized shelters will be included as development continues.

6. Tri-County Service. Expansion of service to Holmes and Wayne counties including joint operated bus services and transfer locations between counties.

7. Park and Ride. Building of four Park-and-Ride locations including parking lots and coordination with express runs. The Interstate 77 corridor (north and south) would be provided traffic congestion mitigation with Park-and-Ride locations and future consideration given to the Route 30 (east and west) corridor. The Tri-County Service project will include Park-and-Ride services with specialized consideration given to the Amish community requirements.

8. Bus Lanes. Four bus pull-off lanes in high traffic areas. These pull-offs require right-of-way acquisitions, sidewalks, cement pads, shelters and traffic studies to enable SARTA buses egress from high traffic roadways to board and de-board passengers in safe locations along existing SARTA routes.

9. Radio Project. In order to improve communications between the bus operators and Dispatch, SARTA contracted with Trapeze for an Advanced Communication System (ACS), which would serve not only now but also for future needs as technology advanced.

ACKNOWLEDGMENT

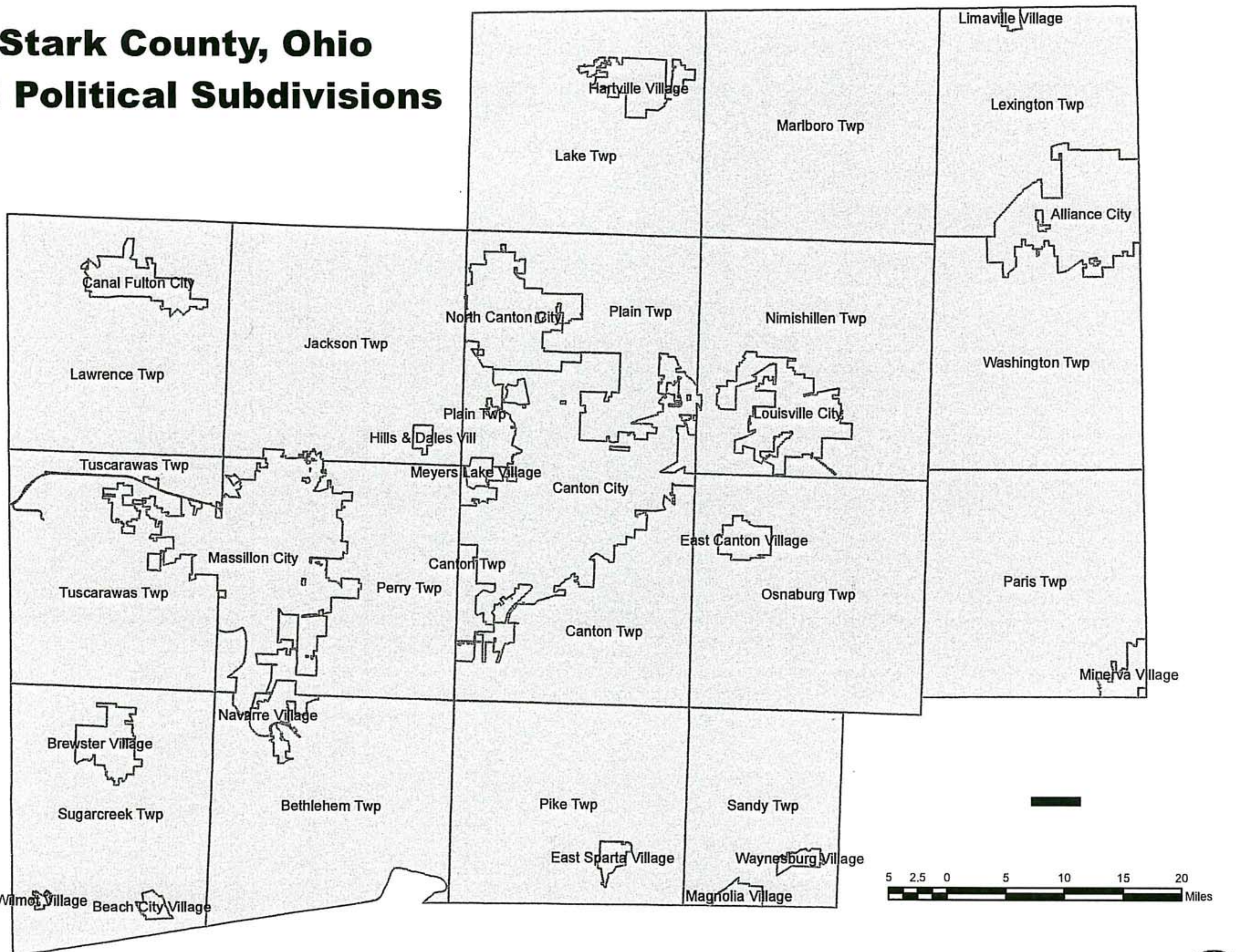
This report was organized, prepared, typed, proofread and prepared for printing by Carole A. Winchell, Director, Finance & Administration, Deborah Hill, Finance Manager and Marie Grealis, Administrative Assistant.

Thanks to the staff of Watson, Rice & Company for their review of the document for completeness.

Charles Odimgbe
Executive Director/CEO

Carole Winchell, CPA, MBA
Director of Finance & Administration

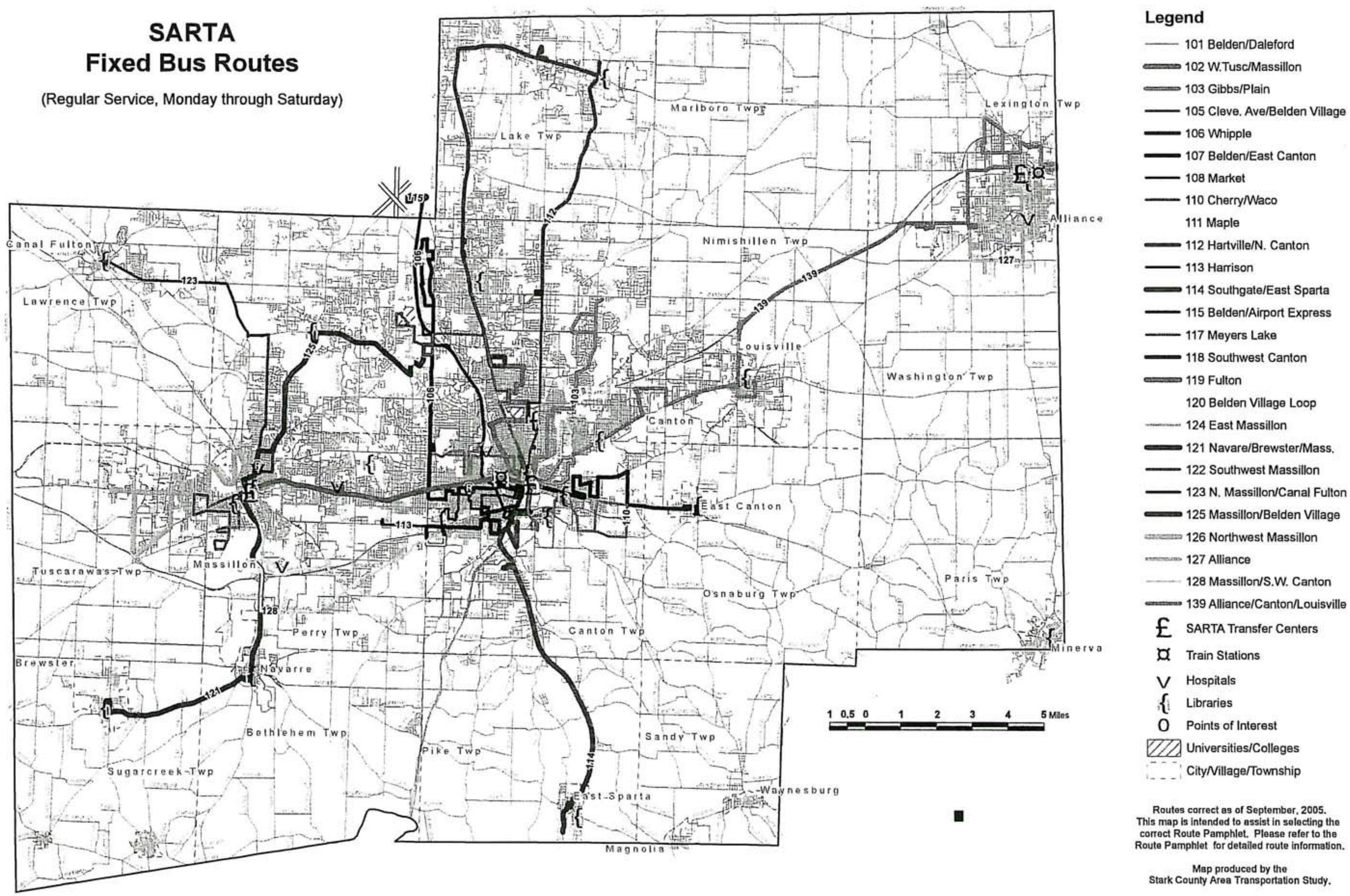
Stark County, Ohio and Political Subdivisions



Map produced by SCRPC/SCATS for SARTA, April, 2006

SARTA
Fixed Bus Routes

(Regular Service, Monday through Saturday)



Financial Section

Basic Financial Statements & Notes

2005

WATSON RICE & CO.

Certified Public Accountants
A Professional Corporation

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(216) 696-1145 Fax

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Stark Area Regional Transit Authority
Canton, Ohio

Betty Montgomery, Auditor of State
Columbus, Ohio

We have audited the accompanying basic financial statements of the Stark Area Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2005 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Authority as of December 31, 2005 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 21 through 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The introductory section, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Watson, Rice & Co.

March 28, 2006

Stark Area Regional Transit Authority
Management Discussion and Analysis

As the financial management of the Stark Area Regional Transit Authority (Authority), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole and with the Letter of Transmittal that contains additional information and can be found on pages 1 – 2 of this report.

Financial Highlights

- The Authority's total net assets increased $1,047,535 or 5.0% over the course of the year's operations. This increase was principally due to federal and state capital funding grants for preventative maintenance; the reconstruction of the main offices at Gateway; and acquisition of buses.
- The Authority's operating expenses, excluding depreciation, in 2005 were $951,185 higher than in 2004, a 7.26% increase, due to budgeted increases in wages, health care premiums and liability insurance premiums.
- Operating income for the Authority was $134,902 higher in 2005, a 13.47% increase, primarily due to increases in total collections of fare revenues from fare box revenues, pass and ticket sales and special event fares. The increase in ridership with its subsequent increase in fare revenues was attributed in part to the sustained rise in fuel costs, which impacts our ridership heavily.
- Sales tax revenues for the Authority were $46,659 lower than 2004, a .4% decrease over 2004. Sales tax revenues accounted for approximately 90% of all funding, exclusive of capital grants.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Stark Area Regional Transit Authority's (Authority) basic financial statements. The Authority's basic financial statements comprise two components: 1) the Basic Financial Statements, and 2) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to private-sector business.

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 33 – 43 of this report.

Financial Analysis of the Authority

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by $22,040,781 at the close of the most recent fiscal year.

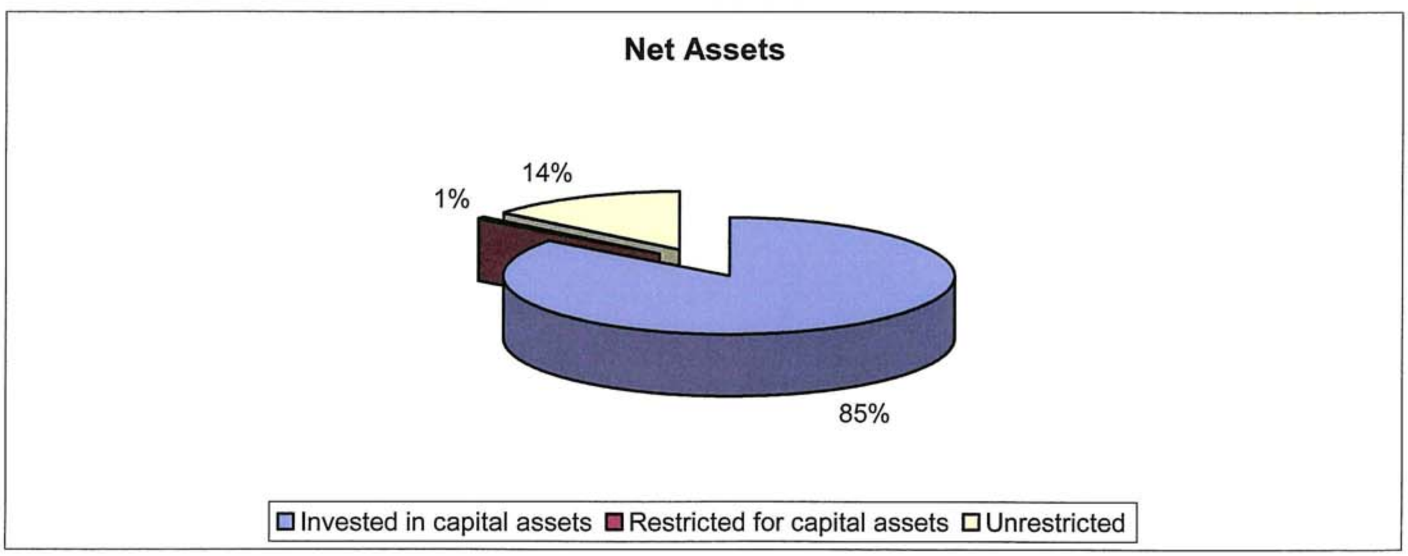
The Authority's net assets are comprised primarily of its investment in capital assets (e.g., land, buildings, transportation equipment and other equipment). The Authority uses these capital assets to provide transportation services to

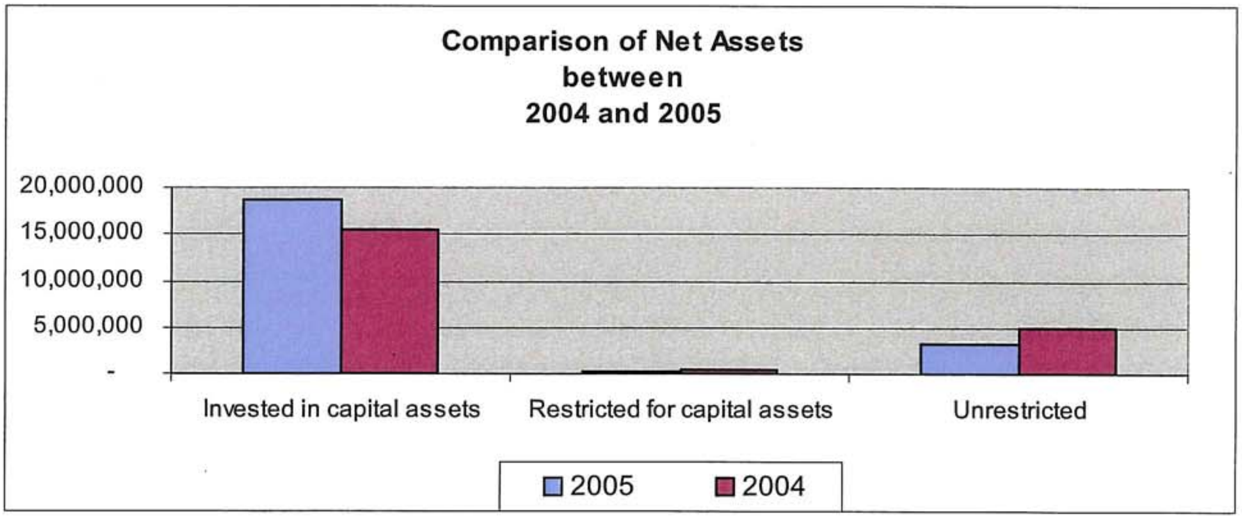
the citizens of Stark County; consequently, these assets are *not* available for future spending.
A portion of the Authority's net assets represents resources that are subject to the restriction of being held to pay for capital assets. The remaining balance of *unrestricted net assets* ($3,121,371) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in net assets, and the same held true for the prior fiscal year.

Stark Area Regional Transit Authority's Net Assets

		2005	2004
Current assets	$	5,597,043	$ 7,049,322
Capital assets, net		18,794,567	15,566,390
Total assets	$	24,391,611	$22,615,712
Current liabilities	$	2,350,830	$ 1,622,466
Total liabilities	$	2,350,830	$ 1,622,466
Net assets:			
Invested in capital assets	$	18,794,568	$15,566,390
Restricted for capital assets		124,842	529,449
Unrestricted		3,121,371	4,897,408
Total net assets	$	22,040,781	$20,993,246





As can be seen from the table above, Net Assets increased $1,047,535 to $22,040,781 in 2005 up from $20,993,246 in 2004. The 5.0% increase was principally due to capital funding to purchase buses, equipment, and renovate the Gateway facility.

For more information on capital assets, readers are referred to the Notes to the Financial Statements.

CHANGE IN NET ASSETS

		2005		2004
Operating revenues				
Passenger fares	$	877,269	$	797,554
Special transit fares		220,836		146,432
Auxiliary transportation revenue		38,267		57,483
Total operating revenues	$	1,136,371	$	1,001,469
Operating expenses				
Labor	$	5,958,496	$	6,381,800
Fringe benefits		4,597,730		3,652,213
Materials & supplies		1,778,542		1,207,937
Services		743,478		434,678
Utilities		230,473		203,814
Casualty & liability		660,774		671,035
Leases & rentals		6,648		5,456
Miscellaneous		71,270		539,293
Total operating expenses before depreciation	$	14,047,411	$	13,096,226
Operating loss before depreciation expense		(12,911,040)		(12,094,757)
Depreciation expense		2,439,508		2,425,655

CHANGE IN NET ASSETS (continued)

		2005		2004
Operating Loss	$	(15,350,548)	$	(14,520,412)
Non-operating revenues (expenses):				
Sales tax proceeds	$	11,384,241	$	11,430,900
Federal preventative maintenance		639,246		775,000
State preventative maintenance		153,186		240,000
Elderly and disabled assistance		97,639		48,290
State planning grants		-		5,966
Local grants		-		6,820
Investment/Interest income		52,776		24,751
Gain/(loss) on disposal		1,660		1,567
Non-transportation revenues		20,884		40,933
Special Item (note 11)		(9,500)		-
Non-operating revenues/expenses - net	$	12,340,132	$	11,559,227
Capital grant revenue				
Federal Capital Grant	$	4,175,826	$	2,669,397
State Capital Grants		301,935		540,873
Total capital grants		4,477,761		4,225,270
Change in net assets	**$**	**1,467,345**	**$**	**1,189,782**
Net assets, beginning of year		20,993,246		19,803,464
Prior Period Auditor Adjustments		(419,810)		(74,303)
Net assets, end of year	$	22,040,782	$	20,993,246

The Authority's operating revenues increased $134,902 to $1,136,371 in 2005 ($877,269 ordinary passenger fares, $220,836 in special event fares, and $38,267 in bus side advertising and miscellaneous sales). Operating revenues are generated mainly from pass sales, ticket sales, special event fares and fare box cash paid by riders/passengers, and a small amount of revenue is generated by the sale of advertising space on the exteriors and interiors of buses.

Operating expenses, excluding depreciation, increased $951,185 or slightly more than 13% as compared to the prior year, mainly due to rising insurance and medical insurance costs, higher costs in fuel and higher fuel consumption, and increases in wages. Depreciation expense increased only by $13,853, as the Gateway Renovation had not been completed and closed as a project; therefore, no depreciation was recognized. In 2005, bus replacements were purchased, and some computer equipment, creating the slight increase in depreciation.

Cash Flows

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	$ 1,122,521	$ 934,396
Gross cash payments to suppliers for goods & services	(3,653,307)	(3,176,526)
Gross cash payments to employees for salaries and wages	(6,368,348)	(6,411,203)
Gross cash payments to employees for benefits	(3,753,937)	(3,663,689)
Net cash used in operating activities	$(12,653,071)	$(12,317,022)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	$ 11,476,374	$ 11,223,493
Gross operating & preventive maintenance grants received	890,071	1,068,332
Gross other	35,884	40,933
Net cash provided by non-capital financing activities	$ 12,402,329	$ 12,332,758
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	$ 4,388,104	$ 2,582,041
Gross state capital grant revenue	1,192,145	93,143
Gross acquisition of fixed assets & work in process	(5,504,949)	(3,463,998)
Gross proceeds from sale of fixed assets		1,567
Net cash used in capital and related financing activities	$ 75,300	$ (787,247)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	$ 51,800	$ 24,751
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (123,642)	$ (746,760)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	$ 1,978,622	$ 2,725,382
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,854,980	$ 1,978,622

The 2005 decrease in other non-operating revenues of $11,527, or .01%, is due to a small decrease in sales tax revenues, a decline in non-transportation revenues, and one special item expense, offset almost totally by a doubling of special fare assistance, and climbing interest income revenues.

Cash Flows

Sales tax collections are defined as non-capital revenue, and are used to support the regular activities of the Agency. Expenses of the Agency are generally mostly covered by the sales tax receipts, with the balance being obtained through the use of grants to cover preventative maintenance on buses. Shortfalls in cash inflows are generated by requirements that the Agency fund up to 20% of capital purchases with local funding. The Agency has in the last two years completed or is completing the building of a transit center in downtown Canton, and a renovation of the main garage/administrative building at Gateway Blvd. The decrease in cash equivalents is due to the matching requirement. The reader may review the increase in assets on earlier pages in conjunction with the cash flow to better understand the change in cash.

Capital Assets

The Authority's investment in capital assets amounts to $18,794,568, net of accumulated depreciation as of December 31, 2005, a net increase of $3,228,178, 20% over 2004, primarily due to the nearly complete Gateway facility renovation, buses, support vehicles, bus shelters and signs, beginning the Alliance Transfer Station and Computerized Communication System. Capital assets include land, land improvements, revenue producing and service equipment, buildings and structures, office furnishings, shop equipment, computer equipment and software licenses. Major capital asset expenditures during the current fiscal year included the following:

❖ Gateway Renovation	$4,879,793
❖ Buses, support vehicles and passenger amenities	$1,027,248
❖ Computerized Communication System	$ 952,069

The Notes to the Financial Statements provide additional information on capital assets.

Long-term Debt

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

Requests for Information

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

Director of Finance and Administration
Stark Area Regional Transit Authority
1600 Gateway Blvd., S.E.
Canton, Ohio 44707

Stark Area Regional Transit Authority
Comparative Balance Sheet
For the Year Ending December 31, 2005

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash & equivalents	$ 1,730,138	$ 1,658,912
Receivables:		
Trade	67,639	134,360
Sales tax	3,011,695	3,103,828
State capital & planning grants	49,348	858,986
Federal capital & planning grants	135,604	347,882
Local grants	-	15,000
Materials & supplies inventory	270,995	239,816
Prepaid expenses & other assets	206,782	370,828
Restricted for capital assets:		
Cash & cash equivalents	124,842	319,711
TOTAL CURRENT ASSETS	$ 5,597,043	$ 7,049,323
Capital assets: (Note 4)		
Land	$ 274,543	$ 238,243
Buildings & improvements	9,305,845	9,291,196
Transportation equipment	15,438,657	14,564,482
Other equipment	3,005,888	2,849,956
Construction & WIP	6,633,012	2,000,891
Total capital assets	34,657,945	28,944,768
Less accumulated depreciation	(15,863,377)	(13,378,378)
Capital assets - net	18,794,568	15,566,390
TOTAL ASSETS	**$ 24,391,611**	**$ 22,615,712**
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 1,158,584	$ 630,171
Accrued payroll	132,642	96,576
Accrued payroll taxes & withholdings	988,452	791,526
Other current liabilities	32,700	48,179
Deferred revenues	38,452	56,013
TOTAL CURRENT LIABILITIES	2,350,830	1,622,466
TOTAL LIABILITIES	$ 2,350,830	$ 1,622,466
NET ASSETS:		
Invested in capital assets	$ 18,794,568	$ 15,566,390
Restricted for expendable capital assets	124,842	319,711
Unrestricted	3,121,371	5,107,145
TOTAL NET ASSETS	22,040,781	20,993,246
TOTAL LIABILITIES AND NET ASSETS	**$ 24,391,611**	**$ 22,615,712**

Stark Area Regional Transit Authority
Comparative Statement of Revenues and Expenses
For the Year Ended December 31, 2005

		2005		2004
OPERATING REVENUES				
Passenger fares	$	877,269	$	797,554
Special transit fares		220,836		146,432
Auxiliary transportation revenues		38,266		57,483
TOTAL OPERATING REVENUES	$	1,136,371	$	1,001,469
OPERATING EXPENSES				
Labor	$	5,958,496	$	6,381,800
Fringe benefits (Note 5)		4,597,730		3,652,213
Materials & supplies		1,778,542		1,207,937
Services		743,478		434,678
Utilities		230,473		203,814
Casualty & liability		660,774		671,035
Leases & rentals		6,648		5,456
Miscellaneous		71,270		539,293
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	$	14,047,411	$	13,096,226
OPERATING LOSS BEFORE DEPRECIATION		(12,911,040)		(12,094,757)
DEPRECIATION EXPENSE (Note 1)		2,439,508		2,425,655
OPERATING LOSS		(15,350,548)		(14,520,412)
NONOPERATING REVENUES (EXPENSES)				
Sales tax revenues (Note 3)	$	11,384,241	$	11,430,900
State planning grant		-		5,966
State operating grants, reimbursements and special fare assistance		97,639		48,290
Interest income		52,776		24,751
Local grant		-		6,820
Gain (loss) on disposal of fixed assets		1,660		1,567
Non-transportation revenues		20,884		40,933
Non-recurring legal (Note 11)		(9,500)		-
Total Non-Operating Revenues - Net	$	11,547,700	$	11,559,227
NET (LOSS) BEFORE CAPITAL GRANT REVENUE		(3,802,848)		(2,961,185)

Stark Area Regional Transit Authority
Comparative Statement of Revenues and Expenses - continued
For the Year Ended December 31, 2005

	2005	2004
CAPITAL GRANT REVENUE (Note 1)		
Federal capital grant	4,175,826	2,669,397
Federal preventative maintenance grant	639,246	775,000
State preventative maintenance grant	153,186	240,000
State capital grant	301,935	540,873
TOTAL PREVENTATIVE MAINTENANCE AND CAPITAL GRANT REVENUES	5,270,193	4,225,270
INCREASE IN NET ASSETS	1,467,345	1,264,085
Prior period audit adjustments (Note 12)	(419,810)	(74,303)
Net assets, beginning of year	20,993,246	19,803,464
Net assets, end of year	$ 22,040,781	$ 20,993,246

STARK AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
(With Comparative Totals for the Year Ended December 31, 2004)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Gross cash received from customers	$ 1,122,521	$ 934,396
Gross cash payments to suppliers for goods & services	(3,653,307)	(3,176,526)
Gross cash payments to employees for salaries and wages	(6,368,348)	(6,411,203)
Gross cash payments to employees for benefits	(3,753,937)	(3,663,689)
Net cash used in operating activities	$ (12,653,071)	$ (12,317,022)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Gross sales taxes received	$ 11,476,374	$ 11,223,493
Gross operating & preventive maintenance grants received	890,071	1,068,332
Gross other	35,884	40,933
Net cash provided by noncapital financing activities	$ 12,402,329	$ 12,332,758
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gross federal capital grant revenue	$ 4,388,104	$ 2,582,041
Gross state capital grant revenue	1,192,145	93,143
Gross acquisition of fixed assets & work in process	(5,504,949)	(3,463,998)
Gross proceeds from sale of fixed assets		1,567
Net cash used in capital and related financing activities	$ 75,300	$ (787,247)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	$ 51,800	$ 24,751
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (123,642)	$ (746,760)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,978,622	2,725,382
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,854,980	$ 1,978,622
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (15,350,548)	$ (14,520,412)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	$ 2,439,508	$ 2,425,655
Change in assets and liabilities:		
(Increase) Decrease in accounts receivable - trade	$ (13,850)	$ (67,073)
(Increase) Decrease in materials & supplies inventory	(31,179)	22,240
(Increase) Decrease in prepaid expenses & other assets	164,046	(348,503)
Increase (Decrease) in accounts payable - operations	(60,999)	277,120
Increase (Decrease) in accrued payroll	36,065	(29,403)
Increase (Decrease) in accrued payroll taxes	196,926	(11,476)
Increase (Decrease) in deferred revenue	(17,561)	(14,678)
Increase (Decrease) in other current liabilities	$ (15,479)	$ (50,942)
NET CASH USED IN OPERATING ACTIVITIES	$ (12,653,071)	$ (12,317,472)

The accompanying footnotes are an integral part of the financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

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

The Authority is managed by a nine-member Board of Trustees and provides virtually all mass-transportation within the Stark County area. Approximately 79 percent of the Authority's employees at December 31, 2005 were subject to a collective bargaining agreement that expires on January 4, 2007. The collective bargaining agreement was approved by the Union on February 8, 2004 and accepted by the Board of Trustees on February 25, 2004.

Under Ohio law, the Authority is authorized to levy a sales tax and use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Stark County (see Note 3). On May 7, 2002, the voters of Stark County renewed the .25 percent sales tax levy to fund the Authority's operations for an additional five years. SARTA plans to take the levy back to the taxpayers May 2, 2006 to extend the sales tax through June of 2012.

Reporting Entity

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

In accordance with Statement No. 20 of the GASB, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Authority has elected not to apply the provisions of the Statements and

Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the GASB.

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

Effective January 1, 2001, the Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of non-exchange transactions involving financial or capital resources. The principle changes in accounting that resulted from GASB Statement No. 33 are the requirements that the Authority prospectively report grants as revenues rather than contributed capital, and that the Authority record sales tax revenue in the month the underlying sales transactions occur, rather than when the taxes are collected by the State of Ohio.

Assets, Liabilities and Net Assets

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

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

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

Materials and Supplies Inventory and Prepaid Items
Materials and supplies inventory are stated at the cost determined using the first-in, first-out valuation method. Inventory generally consists of maintenance parts, supplies for rolling stock and other transportation equipment, fuel and lubricants, office supplies and supplies to maintain the buildings.

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

Property and Depreciation
Property, facilities and equipment are stated at historical cost. The cost of normal maintenance and repairs are charged to Operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related properties. Capital assets at an initial cost of $50 or more and with a useful life of more than one year are deemed depreciable and added to capital assets.

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

Description	Years
Buildings	40
Transportation Equipment	5-12
Other Equipment	4 - 8

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

Property and Depreciation (Cont'd)

Transportation equipment is depreciated on the straight-line method for the useful lives described above unless the total mileage allowed per the FTA guidelines for depreciation occurs first. In this case the FTA unit mileage depreciation method is used. Depreciation recognized on assets acquired or constructed through grants externally restricted for capital acquisitions is closed to the appropriate contributed capital account. Net income (loss) adjusted by the amount of depreciation on capital assets acquired in this manner is closed to net assets.

Classifications of Revenues

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

Recognition of Revenue, Receivables and Deferred Revenues

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

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

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

Federal and State Operating and Preventative Maintenance Assistance Funds

Federal and state operating and preventative 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.

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

Compensated Absences (Cont'd)

Accrued vacation time must be used or cashed in within the year after accrued. Unused vacation benefits are paid to the employees upon separation from service. It is the Authority's policy to allow administrative employees to accumulate earned but unused sick leave. Administrative employees are paid accrued sick days upon separation from service at fifty percent value, at current earnings rate.

2. CASH AND CASH EQUIVALENTS

The provisions of the Ohio Revised Code govern the investment and deposit of Authority monies. In accordance with these statutes only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, saving accounts, money market accounts (STAROhio), and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specified government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require that public deposits and investments be maintained in the Authority's name.

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

Deposits

The carrying amount of the Authority's deposits was $1,837,321 at December 31, 2005 bank balance. Deposits of $100,000 were covered by federal depository insurance at December 31, 2005. The $1,737,321 remaining balance was uncollateralized, as defined by GASB. However, all of this balance, except for petty cash of $1,150, was collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Investments

As of December 31, 2005, the Authority had the following investment:

Investment Type	Fair Value
State Treasurer's Investment Pool (StarOhio)	$17,659

2. CASH AND CASH EQUIVALENTS (CONT'D)

Interest Rate Risk

In accordance with its investment policy, the Authority limits its exposure to declines in fair values by limiting investments to Ohio Investment Pools and Certificates of Deposit.

Investments in STAROhio are unclassified investments since STAROhio 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.

Credit Risk

As of December 31, 2005, Standard & Poor's rated the Authority's investment in the State Treasurer's Pool AAA.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2005, $1,736,171 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the Authority's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counter party, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investment in StarOhio of $17,659, the Authority has a custodial credit risk exposure of $17,659 because the securities are uninsured, unregistered and held by StarOhio which is also the counter party for these particular securities. The Authority's investment policy limits investments to CDs and StarOhio.

3. TAX REVENUES

On May 7, 2002, the voters of Stark County renewed the .25 percent sales tax levy. The renewed levy will expire in June of 2007; however, the Authority has placed the renewal on the May 2, 2006 ballot. Revenue may be used for operating or capital purposes. The Authority receives cash from sales tax levies when the related sales tax collections are distributed by the State of Ohio.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

Capital Assets & Depreciation Balances	Balance 1/1/2005	Additions	CIP Transfers & Disposals	Balance 12/31/2005
Capital Assets Not Being Depreciated:				
Land	238,243	36,300	0	274,543
Construction in Progress	2,000,891	6,060,120	1,427,999	6,633,012
Total Capital Assets Not Depreciated	**2,239,134**	**6,096,420**	**1,427,999**	**6,907,555**
Capital Assets Being Depreciated:				
Buildings & Improvements	9,291,196	14,649	0	9,305,845
Transportation Equipment	14,564,482	1,014,107	139,932	15,438,657
Other Equipment	2,849,956	289,023	133,091	3,005,888
Total Capital Assets being Depreciated	**26,705,634**	**1,317,779**	**273,023**	**27,750,390**
Total Capital Assets	**28,944,768**	**7,414,199**	**1,701,022**	**34,657,945**
Less: Accumulated Depreciation				
Buildings & Improvements	2,914,840	570,090	0	3,484,930
Transportation Equipment	8,988,501	1,531,049	421,403	10,098,147
Other Equipment	1,475,037	942,542	137,278	2,280,300
Total Accumulated Depreciation	**13,378,378**	**3,043,681**	**558,681**	**15,863,377**
Total Capital Assets, Net	***15,566,390***	***4,370,518***	***1,142,341***	***18,794,568***

5. RETIREMENT BENEFITS

Plan Description

A. All employees of the Authority are required to be members of the Ohio Public Employees Retirement System ("OPERS"), which administers three separate pension plans as described below:

1. ***The Traditional Pension Plan*** — A cost sharing, multiple-employer defined benefit pension plan.

2. ***The Member-Directed Plan*** — A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

3. ***The Combined Plan*** — A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

5. RETIREMENT BENEFITS (CONT'D)

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-6701 or 800-222-7377.

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2005 member contribution rates were 8.5 % for members in state and local classifications. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. Public safety division members contributed at 9%.

The 2005 employer contribution rate for state employers was 13.31% of covered payroll.

F. Total required employer contributions for all plans are equal to 100% of employer charges and should be extracted from the employer's records. The Authority, due to contractual agreement with the Union, pays the employee contribution for the union employees. The Authority also funds the employee contribution amounts for non-union employees. The Authority's contributions for 2005, 2004, and 2003 were $880,735, $991,785 and $1,120,236, respectively.

Post-Retirement Benefits

A. 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 provides retirement, disability, and survivor benefits as well as post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The

5. RETIREMENT BENEFITS (CONT'D)

Post-Retirement Benefits (Cont'd)

health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2005, state employers contributed at a rate of 13.31% of covered payroll, local government employer units (which includes the Authority) contributed at 13.55% of covered payroll, and public safety and law enforcement employer units contributed at 16.70%. The portion of employer contributions for all employers allocated to health care was 4%.

B. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Summary of Assumptions

- Actuarial Review — The assumptions and calculations below were based on OPERS' latest actuarial review, performed as of December 31, 2004.
- Funding Method — An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfounded actuarial accrued liability.
- Assets Valuation Method — All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.
- Investment Return — The investment assumption rate for 2004 was 8.00%.
- Active Employee Total Payroll — An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00%, were assumed to range from 0.50% to 6.30%.
- Health Care — Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (year 9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

C. OPEBs are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The amount of $10.8 billion represents the actuarial value of OPERS net assets available for OPEB at December 31, 2004. The Actuarial Valuation as of December 31, 2004 reported the actuarially accrued liability and the unfounded actuarially accrued liability for OPEB, based on the actuarial cost method used,

5. RETIREMENT BENEFITS (CONT'D)

at $29.5 billion and $18.7 billion respectively.

The rates stated in Section A (above) are the actuarially determined contribution requirements for OPERS. Multiplying actual contributions by .2395, which is $343,259, approximates the portion of the Authority's employer contributions used to fund post-employment benefits. For the years of 2004 and 2003, the amounts were $415,402 and $335,092, respectively.

D. OPERS Retirement Board Adopted a Health Care Preservation Plan, on September 9, 2004, which will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan. The Authority's Board deemed that these additional amounts were not contractually committed, so for 2006, the Union employees will have these additional amounts withheld from wages.

6. CONTINGENCIES AND COMMITMENTS

The Authority is a defendant in a number of lawsuits pertaining to matters that are incidental to performing its operations. Management believes that ultimate settlement of all outstanding litigation and claims will not result in a material adverse effect on the Authority's financial position. The Authority experienced two major accidents in 2004, but expects that all costs in relation to these accidents will be covered through their insurance. In 2005, there were no major incidents or accidents anticipated to negatively impact the Agency.

Federal and State Grants
Under the terms of various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grant. At December 31, 2005 there were no significant questioned costs that had not been resolved with the applicable federal and state agencies.

Questioned costs could still be identified during audits to be conducted in the future. In the opinion of the Authority's management, no material grant expenditures will be disallowed.

Commitments
The Authority had outstanding commitments to complete the re-construction of the Gateway Facility for $2,647,240.

7. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

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

	2005
STATE OPERATING GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE:	
ODOT Elderly fare assistance	$ 97,639
ODOT Fuel tax reimbursement	$ 163,830
TOTAL	$ 261,469

8. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors and omissions, employment-related matters, injuries to employees and employee theft and fraud. Effective December 31, 1997, the Authority joined together with certain other transit authorities in the State to form the Ohio Transit Insurance Association, Inc., (name changed to Ohio Transit Risk Pool in 2002 – OTRP) a joint self-insurance pool pursuant to Section 2744.081 of the Ohio Revised Code, currently operating as a common risk management and insurance program for 11 member transit agencies. The Authority pays an annual premium to OTRP for its general insurance coverage and quarterly pays into a loss and administration fund pursuant to OTRP's bylaws. The Agreement of Formation of the OTRP provides that OTRP will be self-sustaining through member premiums and will reinsure through commercial companies for property damage and claims in excess of $100,000 and all liability claims in excess of $250,000 for each insured occurrence. The Authority is responsible for the first $1,000 of each property and/or liability claim or occurrence and amounts in excess of $10 million for liability claims.

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

9. LEASES

The Authority has the following transfer leases outstanding as of December 31, 2005:

(A) The Authority in January 1999 entered into a ten-year lease with Verner A. Bonfert for the use of transfer station in Alliance, Ohio. As part of this agreement, monthly lease payments were $450 per month for the years 2004, $475 in 2005 and will be $500 per month for the years 2006 through 2008. It is currently anticipated that the Authority will vacate the Alliance station prior to lease end. In addition, the Authority agreed to contribute $175,000 in the form of improvements at the transfer station. No decision on the disposition of these improvements has been formulated.

(B) 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 $1.00 during the primary term of the lease. The Authority agreed to contribute $2,000,000 for leasehold improvements at the facility.

10. OPERATING LEASES

The Authority, by approval of the Board, leased a vehicle in the net amount of $712 per month for 36 months, in accordance with the employment contract for the Executive Director/CEO. Future lease payments are as follows:

2006 - $ 8,552
2007 - $ 8,552
Total - $17,104

11. NON-RECURRING LEGAL EXPENSE

An agreement with the City of Canton to share costs of a lawsuit concerning potential transit center land led to this one time legal expense of $9,500.

12. PRIOR PERIOD ADJUSTMENTS

The 2004 audited financial statements included the following errors, which overstated ending net assets at December 31, 2004. All of these errors were corrected in 2005.

A. Depreciation expense and depreciation accrual were both overstated by $316,586 in 2004.

B. Advertising revenues were overstated in 2004 by $66,525.

C. Insurance recoveries were overstated by $36,699 in 2004.

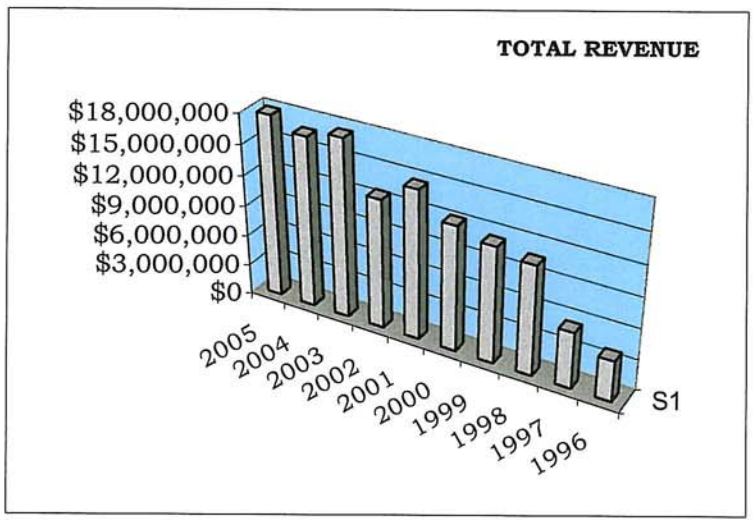
Statistical Section 2005

SARTA
OPERATING STATISTICS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
System Ridership											
Fixed Route	1,001,462	780,054	734,111	1,288,012	1,341,237	1,260,402	1,348,906	1,196,725	1,157,633	1,299,848	1,814,412
Para Transit	20,044	19,323	20,804	67,874	88,608	97,155	95,558	105,832	112,756	135,450	150,178
Shuttles and Specials	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	27,952	64,008
Average Weekday											
System Ridership											
Fixed Route	3,943	2,533	2,391	4,388	4,369	4,092	4,394	3,898	3,771	3,561	3,836
Para Transit	79	63	68	248	289	315	326	345	367	371	533
Average Weekday											
Miles Operated											
Fixed Route	3,039	2,358	2,607	11,616	10,485	10,641	10,407	8,825	7,083	6,954	8,711
Para Transit	479	411	482	2,256	2,800	3,057	3,320	3,641	2,836	4,455	4,718
Revenue Miles											
Fixed Route	874,526	726,155	800,381	2,825,427	3,218,969	3,277,323	3,194,896	2,709,275	2,528,612	2,414,981	2,563,252
Para Transit	130,376	126,604	147,864	617,418	859,498	941,631	1,019,258	1,117,699	1,012,374	1,097,628	1,201,321
Passenger Miles											
Fixed Route	3,518,240	2,730,189	2,275,744	4,037,371	4,157,835	3,907,246	4,181,609	3,590,175	3,472,899	3,899,544	3,922,517
Para Transit	137,576	133,329	143,548	433,561	611,395	670,370	659,350	730,241	778,016	1,140,136	1,287,768
Energy Consumption											
Gallons of diesel	261,222	211,620	227,909	598,874	855,243	860,298	780,699	674,334	607,845	566,079	586,863
Cost	172,264	$140,198	$167,880	$449,156	$465,164	$916,031	$897,023	$706,363	$604,601	$705,429	$876,015
Cost per Gallon	$0.66	$0.66	$0.74	$0.75	$0.54	$1.06	$1.15	$1.05	$0.99	$1.25	$1.49
Fleet Requirement											
Fixed Route	26	26	40	55	56	58	53	53	36	36	35
Para Transit	4	4	11	18	25	26	42	42	42	44	26
Total Active Vehicles											
Fixed Route	33	33	47	65	58	68	95	71	49	49	42
Para Transit	10	12	24	24	27	31	42	42	42	44	42
Number of Employees											
Full Time Equivalent	93	82	131	234	224	222	226	194	199	202	214

SARTA
REVENUES BY SOURCE - LAST TEN YEARS
Rounded to The Nearest Dollar

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
FARES	$1,098,105	$1,001,469	$951,052	$1,002,220	$1,074,349	$1,053,891	$967,475	$704,657	$515,903	$522,959
SALES TAX	$11,384,241	$11,430,900	$10,739,684	$10,603,218	$10,237,386	$10,765,546	$9,876,829	$9,071,557	$3,600,439	$0
FEDERAL :										
Operating Grants			$37,699	$0	$25,512	$54,488			$528,973	$539,119
Capital Grant Reimbursements	$4,815,072	$3,444,397	$4,743,099	$966,450	$2,213,401	$0	$0	$0	$0	$0
State :										
Operating Grants & Special Fare Assistance	$97,639	$54,256	$120,453	$96,231	$227,279	$224,542	$355,426	$674,756	$699,101	$311,133
Capital Grant Reimbursements	$455,121	$780,873	$912,099	$43,255	$795,504	$0	$0	$0	$0	$0
Local :										
Operating grants & Reimbursement	$0	$6,820	$17,500	$0	$0	$0	$0	$0	$0	$0
Property Tax	$0	$0	$0	$0	$0	$0	$0	$87,455	$108,117	$2,574,676
Nontransportation	$20,884	$40,933	$11,041	$4,212	$19,421	$10,096	$48,799	$44,084	$2,837	$2,079
Misc Income	$91,043	$26,318	$15,785	$17,607	$82,739	$172,612	$166,252	$159,496	$41,854	$34,766
	$17,962,105	$16,785,966	$17,548,412	$12,733,193	$14,675,591	$12,281,175	$11,414,781	$10,742,005	$5,497,224	$3,984,732



SARTA

EXPENSES BY SOURCE - LAST TEN YEARS

Rounded To The Nearest Dollar

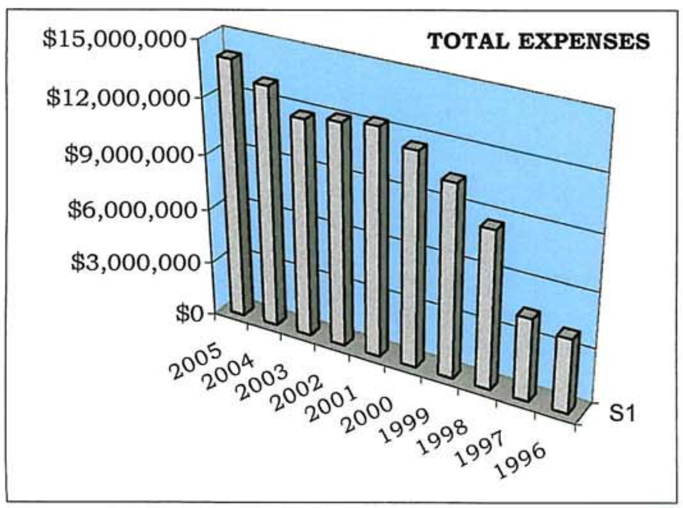
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Labor	$6,039,734	$6,381,800	$5,680,342	$5,545,835	$6,172,965	$6,475,880	$5,646,888	$4,550,270	$2,191,556	$1,897,824
Fringe Benefits	$4,597,730	$3,652,213	$3,810,667	$3,728,101	$3,534,124	$3,311,312	$3,005,366	$2,297,587	$1,099,617	$1,168,947
General & Administrative	$3,409,947	$3,062,213	$2,703,210	$2,484,236	$3,169,170	$3,614,388	$2,136,009	$2,064,671	$1,298,444	$1,051,846
Depreciation	$2,439,508	$2,425,655	$2,636,151	$1,784,152	$1,867,846	$1,356,297	$1,200,171	$1,030,704	$880,478	$881,300
	$16,486,919	$15,521,881	$14,830,370	$13,542,324	$14,744,105	$14,757,877	$11,988,434	$9,943,232	$5,470,095	$4,999,917

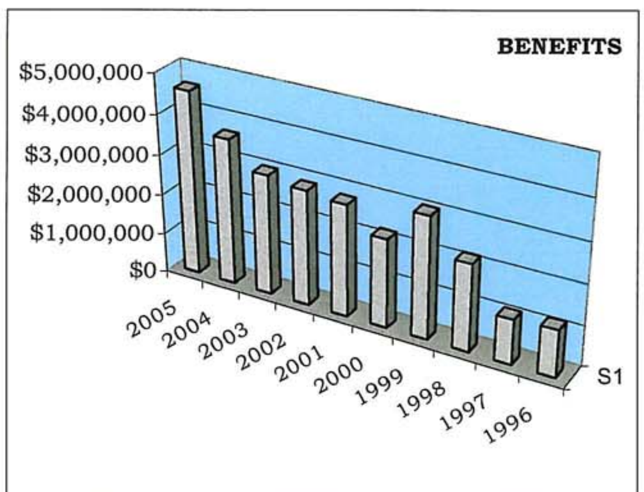
EXPENSES BY OBJECT CLASS - LAST TEN YEARS

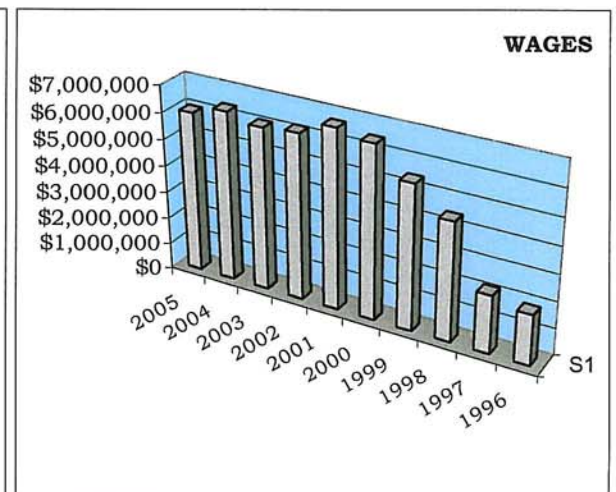
Rounded to the nearest dollar

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Wages	$6,039,734	$6,381,800	$6,103,474	$6,215,003	$6,718,353	$6,484,155	$5,445,046	$4,465,273	$2,193,622	$1,908,820
Benefits	$4,597,730	$3,652,213	$3,009,814	$2,888,719	$2,801,036	$2,223,928	$3,052,789	$2,184,141	$1,123,551	$1,178,050
Services	$743,478	$434,676	$497,825	$524,720	$420,426	$343,924	$263,813	$409,607	$261,490	$176,593
Supplies	$1,778,542	$1,207,937	$1,254,734	$1,449,992	$1,610,892	$1,983,377	$1,320,628	$1,137,479	$565,553	$463,688
Utilities	$230,473	$203,814	$194,100	$164,305	$210,971	$152,247	$125,449	$144,840	$124,626	$119,304
Casualty & Liability	$598,556	$671,035	$609,618	$478,313	$270,863	$109,505	$61,181	$174,561	$135,957	$169,376
Depreciation	$2,439,508	$2,425,655	$2,376,075	$2,087,004	$1,891,548	$1,357,415	$1,205,201	$1,030,704	$880,478	$881,300
Miscellaneous Expenses	$58,898	$544,751	$162,596	$397,247	$333,442	$313,166	$205,345	$118,484	$145,722	$44,413
Total Expenses	$14,047,411	$13,096,226	$11,832,161	$12,118,299	$12,365,983	$11,610,302	$10,474,251	$8,634,385	$4,550,521	$4,060,244

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





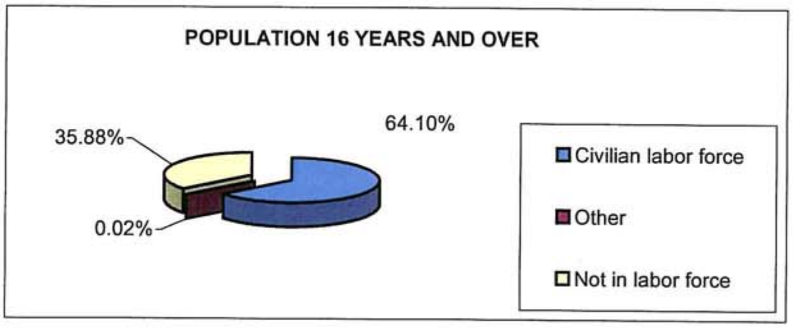


STARK AREA REGIONAL TRANSIT AUTHORITY
CHANGE IN NET ASSETS

	2005	2004
Operating revenues		
Passenger fares	$ 877,269	$ 797,554
Special transit fares	220,836	146,432
Auxiliary transportation revenue	38,267	57,483
Total operating revenues	$ 1,136,371	$ 1,001,469
Operating expenses		
Labor	$ 5,958,496	$ 6,381,800
Fringe benefits	4,597,730	3,652,213
Materials & supplies	1,778,542	1,207,937
Services	743,478	434,678
Utilities	230,473	203,814
Casualty & liability	660,774	671,035
Leases & rentals	6,648	5,456
Miscellaneous	71,270	539,293
Total operating expenses before depreciation	13,096,226	13,096,226
Operating loss before depreciation expense	(11,959,855)	(12,094,757)
Depreciation expense	2,439,508	2,425,655
Operating Loss	$ (14,399,363)	$ (14,520,412)
Non-operating revenues (expenses):		
Sales tax proceeds	$ 11,384,241	$ 11,430,900
Federal preventative maintenance	639,246	775,000
State preventative maintenance	153,186	240,000
Elderly and disabled assistance	97,639	48,290
State planning grants	-	5,966
Local grants	-	6,820
Investment/Interest income	52,776	24,751
Gain/(loss) on disposal	1,660	1,567
Non-transportation revenues	20,884	40,933
Special Item (note 11)	(9,500)	-
Non-operating revenues/expenses - net	$ 12,340,132	$ 11,559,227
Capital grant revenue		
Federal Capital Grant	$ 4,175,826	$ 2,669,397
State Capital Grants	301,935	540,873
Total capital grants	4,477,761	4,225,270
Change in net assets	1,467,345	1,189,782
Net assets, beginning of year	20,993,246	19,803,464
Net assets, end of year	$ 22,673,954	$ 20,993,246

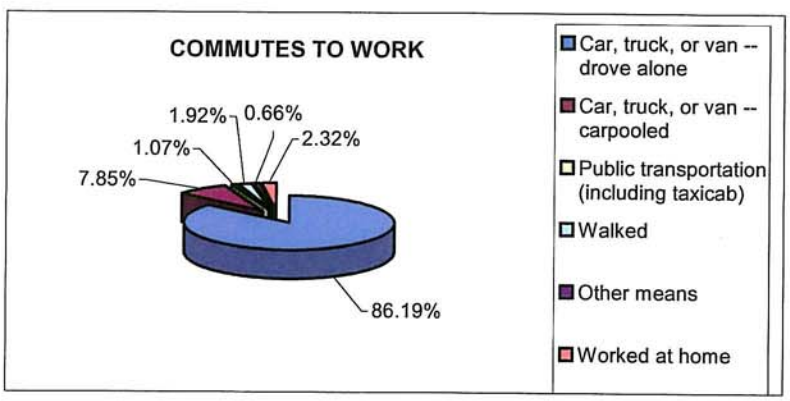
SARTA
STARK COUNTY DEMOGRAPHICS
Census 2000

	Number	Percent
Population 16 years and over	**295,090**	**100%**
Civilian labor force	189,161	64.10%
Other	58	0.02%
Not in labor force	105,871	35.88%



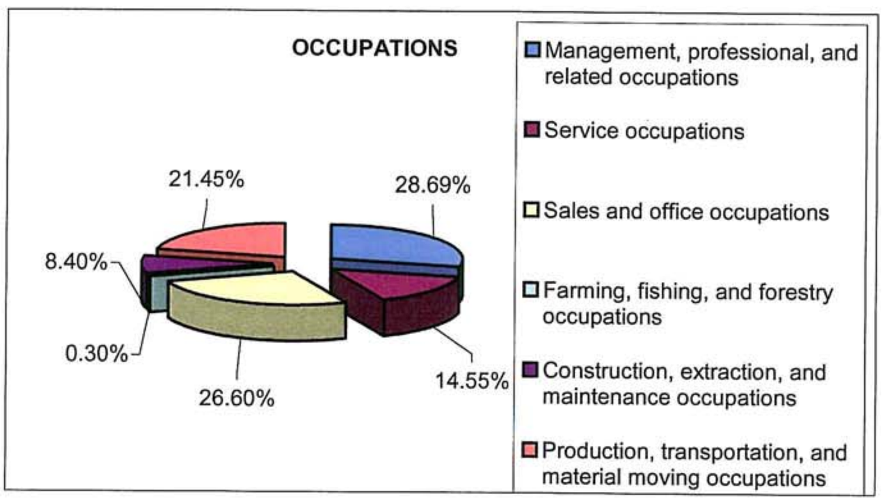
COMMUTING TO WORK

Workers 16 years and over	**177,234**	**100%**
Car, truck, or van -- drove alone	152,750	86.19%
Car, truck, or van -- carpooled	13,906	7.85%
Public transportation (including taxicab)	1,896	1.07%
Walked	3,408	1.92%
Other means	1,167	0.66%
Worked at home	4,107	2.32%
Mean travel time to work (minutes)	21.3	N/A



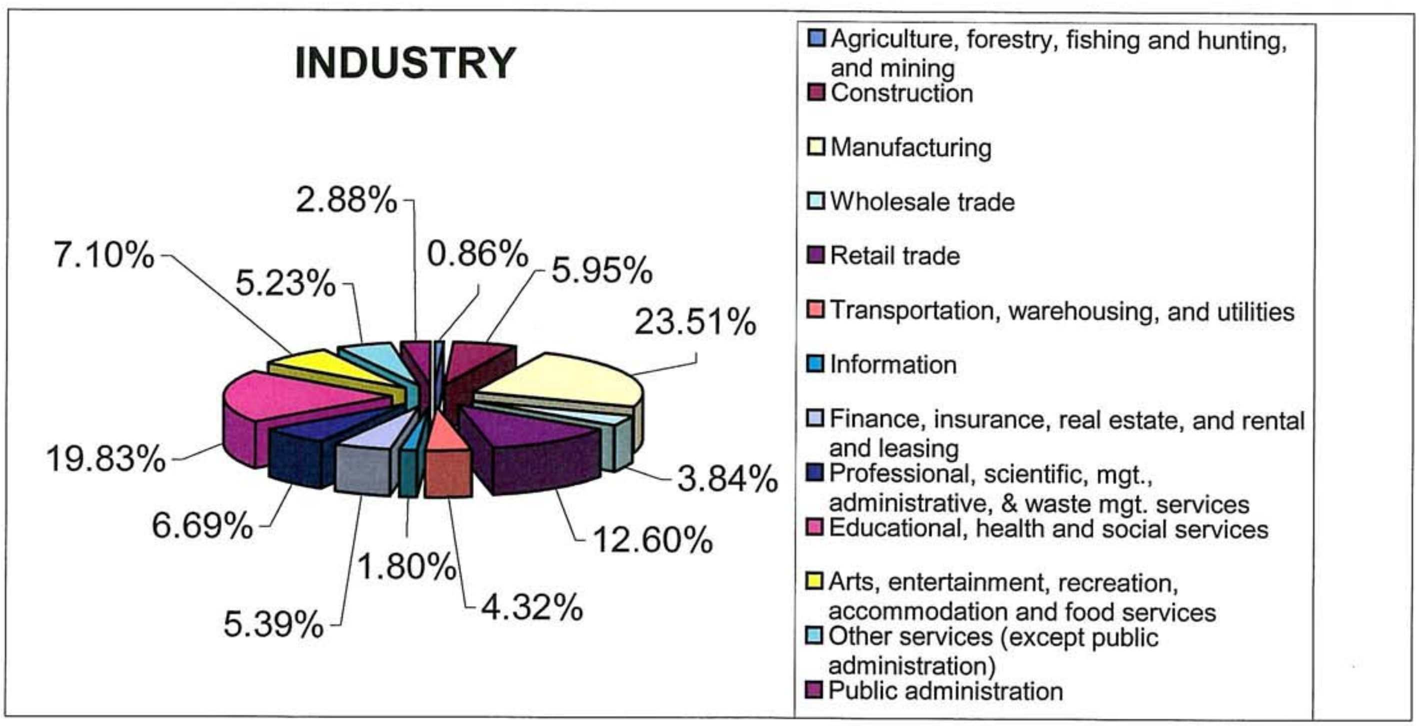
SARTA
STARK COUNTY DEMOGRAPHICS
Census 2000

Employed civilian population 16 years and over	**180,590**	**100%**
OCCUPATION		
Management, professional, and related occupations	51,810	28.69%
Service occupations	26,278	14.55%
Sales and office occupations	48,044	26.60%
Farming, fishing, and forestry occupations	541	0.30%
Construction, extraction, and maintenance occupations	15,172	8.40%
Production, transportation, and material moving occupations	38,745	21.45%



SARTA
STARK COUNTY DEMOGRAPHICS
Census 2000

INDUSTRY	**180,590**	**100.00%**
Agriculture, forestry, fishing and hunting, and mining	1,558	0.86%
Construction	10,739	5.95%
Manufacturing	42,454	23.51%
Wholesale trade	6,943	3.84%
Retail trade	22,753	12.60%
Transportation, warehousing, and utilities	7,798	4.32%
Information	3,243	1.80%
Finance, insurance, real estate, and rental and leasing	9,733	5.39%
Professional, scientific, mgt., administrative, & waste mgt. services	12,086	6.69%
Educational, health and social services	35,820	19.83%
Arts, entertainment, recreation, accommodation and food services	12,825	7.10%
Other services (except public administration)	9,437	5.23%
Public administration	5,201	2.88%



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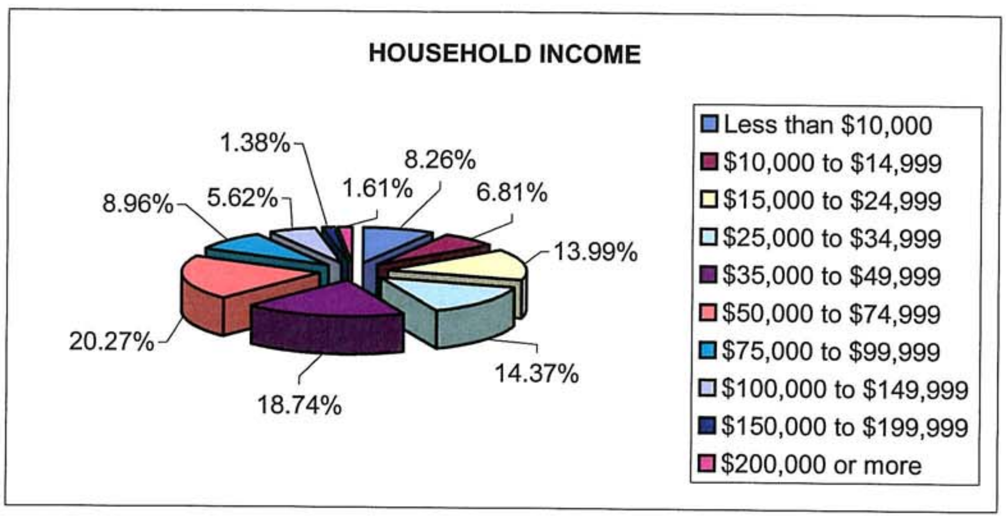
STARK COUNTY DEMOGRAPHICS
Census 2000

INCOME IN 1999		
Households	**148,323**	**100%**
Less than $10,000	12,250	8.26%
$10,000 to $14,999	10,105	6.81%
$15,000 to $24,999	20,744	13.99%
$25,000 to $34,999	21,309	14.37%
$35,000 to $49,999	27,793	18.74%
$50,000 to $74,999	30,062	20.27%
$75,000 to $99,999	13,287	8.96%
$100,000 to $149,999	8,342	5.62%
$150,000 to $199,999	2,050	1.38%
$200,000 or more	2,381	1.61%
Median household income (dollars)	39,824	N/A



SARTA
STARK COUNTY DEMOGRAPHICS

Population by Age / Race - 2000

Age Breakdown

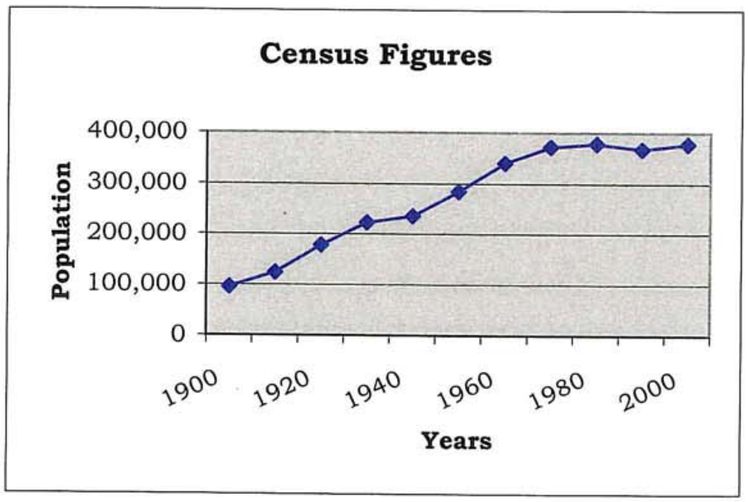
Total Population	378,098
Total Male Population	181,588
Population	196,510
Under 5 years old	24,167
5 - 9 years old	26,387
10-14 years old	27,196
15-19 years old	26,446
20-24 years old	21,069
25-34 years old	46,097
35-44 years old	59,031
45-54 years old	54,624
55-59 years old	19,823
60-64 years old	16,204
65-74 years old	29,055
75-84 years old	21,204
85+ years old	6,795
Median Age	38

Race Breakdown

One Race Caucasian	341,342
One Race Black	27,219
American	920
One Race Asian	2,059
Hispanic	3,492

Census Figures

1900	94,747
1910	122,987
1920	177,218
1930	221,784
1940	234,887
1950	283,194
1960	340,345
1970	372,210
1980	378,823
1990	367,585
2000	378,098



TOP TEN STARK COUNTY MAJOR EMPLOYERS

COMPANY NAME	DESCRIPTION	EMPLOYEES
The Timken Company	Manufacturer, Steel and Tapered Roller Bearings	4816
Aultman Hospital	Health Care	3774
Stark County Government	Government	2781
Mercy Medical Center	Hospital	2500
Stark County Board of MRDD & Workshops, Inc	Health and Rehabilitation Services	1804
Diebold, Inc.	Computer Services, Finance	1650
Maytag Corp. – Hoover Floor Care	Manufacturer, Floor Care Appliances	1100
Alliance Community Hospital	Health Care	945
Fisher Foods Marketing, Inc.	Grocery Chain	940
Fresh Mark, Inc.	Meat Processing	800

Source: www.starkcoohio.com/factbook_2005/profile_05.pdf

Auditor of State
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Facsimile 614-466-4490

STARK AREA REGIONAL TRANSIT AUTHORITY

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 11, 2006