

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
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JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Luzerne County Transportation Authority  
315 Northampton Street  
Kingston, Pennsylvania 18704

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Luzerne County Transportation Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Qualified Opinion***

Management has not recorded and recognized the annual pension cost (annual required contribution (ARC) calculated by the actuary) and the resulting net pension obligation (asset) for the defined benefit pension plans as well as the related note disclosures and the required supplementary information. Governmental accounting standards require state and local governmental employers who participate in single-employer defined benefit pension plans to recognize and report the annual pension cost, net pension obligation (asset), related note disclosures and required supplementary information (RSI) in the financial statements. The amount by which this departure would affect assets, liabilities, net position, and expenses has not been determined.

Management has not obtained an actuarial valuation of the post employment benefits offered to employees and, accordingly, has not recorded the annual OPEB cost, the employer's net OPEB obligation and the related footnote disclosures. Governmental accounting standards require state and local governmental employers who provide other post employment benefits (OPEB) as part of total compensation to measure, recognize, and display OPEB expense and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial statements. The amount by which this departure would affect assets, liabilities, net position, and expenses has not been determined.

We were unable to perform testing of the ending inventory since a physical count of inventory was not performed at June 30, 2014. In addition, alternative testing procedures could not be performed since the perpetual inventory system was not updated as of our audit date.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Luzerne County Transportation Authority, as of June 30, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

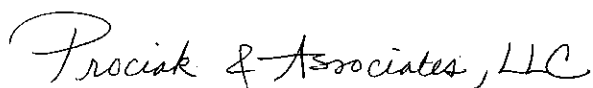
Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Luzerne County Transportation Authority. The accompanying schedules of revenue and expenditures on pages 26 - 33 and the supplemental schedules on pages 38 - 51 are presented for purposes of additional analysis as required by the Federal Transit Administration and the Pennsylvania Department of Transportation and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 34 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of Pennsylvania Department of Welfare Awards on page 36 is presented for purposes of additional analysis as required by the Commonwealth of Pennsylvania Department of Public Welfare Single Audit Supplement, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Luzerne County Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Luzerne County Transportation Authority's internal control over financial reporting and compliance.

December 17, 2014



PROCIAK & ASSOCIATES, L.L.C.  
Wilkes-Barre, Pennsylvania

# MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

## Introduction

The following discussion and analysis of the financial performance and activity of the Luzerne County Transportation Authority (LCTA or Authority) is intended to provide an introduction to and an overview and analysis of the basic financial statements of the Authority for the year ended June 30, 2014. The management of the Authority has prepared this discussion, and it should be read in conjunction with the financial statements and the notes which follow this section.

## Background Information on the Authority

The Authority was established on October 2, 1972 by the Board of County Commissioners of the County of Luzerne, Pennsylvania. The Authority was formed for the purpose of, among other things, planning, acquiring, holding, constructing, improving, maintaining and operating a comprehensive public transportation system within Luzerne County. The Authority currently provides the Wilkes-Barre urbanized area with scheduled mass transportation bus service. The bus fleet operates on routes serving 31 municipalities within the urbanized area, so that approximately 88% of the population resides within one-quarter of a mile of a bus route. Route frequency of the various routes averages out to about every forty-five minutes, with some routes operating every half-hour. The Authority also assists persons with disabilities in fulfilling their transportation needs and to meet requirements of the Americans with Disabilities Act of 1990. This Special Transportation Efforts Program (S.T.E.P) is available in the General Service Area of the Authority. This program permits approved disabled persons to ride on vans operated by the Authority.

On July 1, 2011, the Authority and the Luzerne/Wyoming Counties Transportation Department consolidated, operating as the Luzerne County Transportation Authority with Fixed Route and Shared-Ride divisions. The Authority began providing Shared-Ride service. That means in most cases persons will ride with others and passengers may be picked-up and dropped-off before reaching a destination. The service is provided curb-to-curb and most Shared-Ride vehicles are equipped with wheelchair lifts. The Shared-Ride division offers multiple State/Federally subsidized programs to its general public clients. These programs include, among others, Medical Assistance Transportation Program (MATP), Pennsylvania Lottery Program, Special Transportation Efforts Program (STEP) and Persons with Disability Program (PwD).

## Authority Activities and Highlights

- The Authority's net position decreased by \$1,934,677. This was caused, in part, by depreciation, which is an expense that is not eligible for operating funding amounting to \$2,039,660 and capital grant funding of \$280,690.
- The Authority's operating revenues increased from \$4,505,232 in 2013 to \$4,655,259 in 2014. This increase of \$150,027 amounts to a 3.3% increase in operating revenues. The increase was mainly accounted for by Passenger Fares increase of \$27,518, Advertising Revenues increase of \$42,607 and Medical Assistance Transportation Program increase of almost \$60,000.
- Operating expenses increased from \$13,491,009 in 2013 to \$14,110,648 in 2014. The \$619,639 increase amounted to a 4.6% increase. Operating expenses of the Fixed Route Division increased by \$908,972 while the Shared Ride operating expenses decreased by \$293,322. The Fixed Route increase was caused by increases in salaries, employee benefits and an increase in repair supplies and materials used on the buses. The Shared Ride decrease was caused by a reduction of \$250,000 of expenses related to the consolidation of the Fixed and Shared Ride divisions. Depreciation expense in the Shared Ride division also decreased approximately \$50,000.
- The Fixed Route Division had a net loss before capital funding of \$1,687,518 for the year ended June 30, 2014 after applying available subsidies of \$6,828,900. This net loss equals the amount of depreciation expense taken. This division received \$140,254 of capital grant funding.

- The Shared-Ride Division had a net loss before capital funding of \$527,849 for the year. This division received capital grant funding amounting to \$140,436 for the year.
- Pennsylvania Act 44 State Operating Assistance accounts for over 38% of the Authority's operating revenues. The Act 44 funding increased from \$4,227,580 in fiscal 2013 to \$4,587,396 in 2014. The Authority received only \$2,523,312 of actual grant money during fiscal 2014 due to a payback of prior years funding received in error by the overstatement of senior citizens ridership. The Authority was able to realize \$4,227,580 of Act 44 funding while only receiving \$2,523,312 by utilizing Act 44 funds received and not used in prior years.
- The Fixed Route Division carried approximately 1,080,000 passengers and recorded in excess of 1,060,000 vehicle miles during the year ended June 30, 2014.
- The Shared- Ride Division carried approximately 3,534 unduplicated passengers who took approximately 174,744 trips during the year ended June 30, 2014.

### **Overview of the Financial Statements**

The Authority's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) that apply to U.S. governmental units. The Authority uses the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred. Since the Authority is comprised of a single enterprise fund, no individual fund level financial statements are presented.

The following financial statements, along with the "Notes to Financial Statements", serve as the basis for the analysis and understanding of the Authority's financial position:

- **Statement of Net Position** - this financial statement summarizes the Authority's capital structure as to whether authority's assets were financed with equity or by incurring a liability. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase in liabilities generally indicate an improved financial condition.
- **Statement of Revenues, Expenses, and Changes in Net Position** - this financial statement provide information on the net income generated from Authority's continuing operations. Operating Expenses are subtracted from Operating Revenues in order to determine an Operating Gain or Loss. Non-Operating Revenues that are defined as significant recurring federal and state grants and interest and gain on sale of capital assets are added to the Operating Gain or Loss in order to calculate Net Gain or Loss before Capital Funding. The net gain or loss before capital related items is combined with capital grant contribution revenue to produce the Change in Financial Position.
- **Statement of Cash Flows** - this statement of cash flows detail the cash flows generated by Authority's operations, non-capital financing, and capital and related financing activities. This statement incorporates a direct approach by adding fiscal year 2014 changes in cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities to the fiscal year end 2013 cash balance.
- **Notes to Financial Statements** – the notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements.
- **Other Information** – in addition to the basic financial statements and accompanying notes, this report also presents information regarding the financial performance of the Authority by division. The Authority has two operating divisions: the Fixed Route Division, which provides scheduled bus service on fixed routes, and the Shared-Ride Division, which provides demand response transportation.



## Financial Analysis

**Net position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial positions. In the case of the LCTA, assets exceeded liabilities by \$15,856,903.

A condensed summary of the Authority's statement of net position at June 30 is presented below:

Current and Other Assets	\$	7,968,389
Capital Assets, Net		<u>15,323,047</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>23,291,436</u></b>
Current and Other Liabilities	\$	<u>7,434,533</u>
Net Position		
Invested in Capital Assets		15,323,047
Unrestricted		<u>533,856</u>
<b>TOTAL NET POSITION</b>		<b><u>15,856,903</u></b>
<b>TOTAL LIABILITES AND NET POSITION</b>	<b>\$</b>	<b><u>23,291,436</u></b>

The largest portion of the Authority's net position was its investment in capital assets (land, buildings, revenue vehicles, equipment). This totaled \$15,323,047 or 66% of total assets. LCTA received capital grant funding from federal, state and local governments to acquire these capital assets. LCTA uses these capital assets to provide services to citizens.

Other large components of assets and liabilities are as follows. Cash totals \$5,591,290 (or 24% of net position), of which \$5,408,528 is restricted by the Commonwealth of Pennsylvania to be utilized only for future purchases of capital assets. Large liabilities include \$5,983,583 of deferred revenues. These deferred revenues are funding received from the Commonwealth of Pennsylvania and Luzerne County to be used for either operations or the purchase of capital assets. The Authority also owes the Hazleton Public Transportation System (HPTS) \$2,067 which represents the fiscal year June 30, 2014 Commonwealth of Pennsylvania Act 44 funding for HPTS that is passed through the LCTA to the HPTS.

**Changes in net position.** A condensed summary of the Authority's statement of revenues, expenses and changes in net position for the year ended June 30, 2014 is presented below:

<b>OPERATING REVENUES</b>	
Passenger Revenues	\$ 1,289,203
Government Fare Programs	2,198,580
Other Operating Revenues	<u>1,159,985</u>
<b>TOTAL OPERATING REVENUES</b>	<u><b>4,647,768</b></u>
 <b>OPERATING EXPENSES</b>	
Salaries and Wages	4,801,653
Fringe Benefits	3,811,650
Material and Supplies	1,852,480
Purchased Transportation	732,248
Depreciation	2,039,660
Other Operating Expenses	<u>865,466</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>14,103,157</b></u>
 <b>NON-OPERATING REVENUES</b>	
Operating and Planning Grants	
Federal	2,048,086
Commonwealth of Pennsylvania	4,675,627
Luzerne County	487,263
Gain on Sale of Capital Assets	<u>29,046</u>
<b>TOTAL NON-OPERATING REVENUE</b>	<u><b>7,240,022</b></u>
 <b>CAPITAL GRANT FUNDING</b>	
Federal	131,334
Commonwealth of Pennsylvania	145,124
Luzerne County	<u>4,232</u>
<b>TOTAL CAPITAL GRANT FUNDING</b>	<u><b>280,690</b></u>
 <b>DECREASE IN NET POSITION</b>	 <u><b>\$ (1,934,677)</b></u>

Passenger revenues accounted for 28% of operating revenues and government fare programs accounted for 47%. Overall government operating, planning and capital grants accounted for 79% of all the Authority's revenues.

The Authority's major expenses are wages and fringe benefits. These account for 61% of the Authority's operating expenses.

**Capital assets.** The Authority's investment in capital assets include land, buildings, revenue vehicles, service vehicles, shelters and signs, Radios, fareboxes, shop and garage equipment, and office and computer equipment. Capital acquisitions are recorded at cost and are funded by federal, state and local government grants. The LCTA's investment in capital assets at June 30, 2014, stated at cost, is as follows:

Revenue Vehicles	\$ 18,093,592
Service Vechiles	389,480
Shelters and Bus Stop Signs	154,796
Buildings	7,072,178
Shop and Garage Equipment	556,985
Radios	105,834
Fareboxes	658,045
Destination Signs	668,384
Computer Equipment	173,797
Office Equipment	54,516
Land	<u>132,716</u>
<b>TOTAL CAPITAL ASSETS - AT COST</b>	<b>\$ <u>28,060,323</u></b>

During the year ended June 30, 2014, the Authority purchased \$287,300 of capital assets while selling or retiring assets, after the end of their useful lives, with a total cost basis of \$617,447.

**Debt Administration.** No debt is incurred by the Authority for the purchase of capital assets. Acquisitions are funded by federal, state and local government grants. The Authority has no bank debt.

**Economic factors.** The LCTA continues to rely on government subsidies to provide the offered services. The Authority has controlled costs of the prior few years but the consolidation with the Luzerne/Wyoming County Transportation Department does not allow for a complete comparison of prior year costs at this time. Pennsylvania Act 44 funding continues to require annual increases in the local match. It will require a 15% match in the near future. This would require a local match of over \$700,000. The County has reduced their funding for fiscal 2014 and 2015. All of the County deferred revenue will be utilized as of June 30, 2015. In order to continue to receive the full allocation of Act 44 funding from the State, the County will be required to completely fund the percentage required in Act 44.

The Authority will continue to explore all viable options to continue to meet the needs of the current customers which includes continued efficiency improvements resulting in reduced expenses.

**Contacting the Authority's Financial Management.** This financial report is designed to provide our customers and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for money it receives. If there are any questions about this report or need additional financial information, contact the Authority's Executive Director at 315 Northampton St., Kingston, PA 18704.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2014

ASSETS

<b>CURRENT ASSETS</b>	
Cash	\$ 182,762
Restricted Cash - Act 26	174,829
Restricted Cash - State Section 1513	5,233,699
Accounts Receivable - Trade	476,497
Capital Assistance Grants Receivable	1,111,077
Miscellaneous Receivables	7,004
Inventories	303,142
Prepaid Insurance	<u>479,379</u>
<b>TOTAL CURRENT ASSETS</b>	<b>7,968,389</b>
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated	132,716
Capital assets being depreciated	<u>27,927,607</u>
	28,060,323
Less: Accumulated Depreciation	<u>12,737,276</u>
<b>TOTAL CAPITAL ASSETS</b>	<b><u>15,323,047</u></b>
<b>TOTAL ASSETS</b>	<b>\$ <u>23,291,436</u></b>

LIABILITIES

<b>CURRENT LIABILITIES</b>	
Accounts Payable	
Trade	\$ 310,486
Commonwealth of Pennsylvania Medical Assistance Program	35,133
Accrued Salaries and Wages	276,922
Accrued Payroll Taxes and Employee Funds Withheld	27,650
Accrued Pension	139,260
Due to Hazleton Public Transit System	2,067
Deferred Revenue	
Penn DOT Act 26 Capital	126,118
Penn DOT - Act 44	5,654,342
Luzerne County Act 26 Match	48,711
Luzerne County Act 44 Match	-
Luzerne County Unassigned	154,412
Unredeemed Fares	<u>138,695</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,913,796</b>
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences	<u>520,737</u>
<b>TOTAL LIABILITIES</b>	<b><u>7,434,533</u></b>

NET POSITION

NET INVESTED IN CAPITAL ASSETS	15,323,047
UNRESTRICTED	<u>533,856</u>
<b>TOTAL NET POSITION</b>	<b><u>15,856,903</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u>23,291,436</u></b>

See notes to financial statements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES

Passenger fares	\$ 1,289,203
State lottery Shared Ride Program	626,617
State Persons with Disabilities Program	35,951
Area Agency on Aging	14,117
Mental Health/Intellectual & Development Disabilities	231,435
Medical Assistance Transportation Program	1,290,460
Other contract revenue	1,071,579
Advertising income	57,208
Miscellaneous income	<u>38,689</u>

TOTAL OPERATING REVENUES 4,655,259

OPERATING EXPENSES

Operators salaries and wages	3,033,894
Other salaries and wages	1,767,759
Fringe benefits	3,811,650
Services	284,011
Fuel and lubricants	1,222,024
Tires and tubes	95,420
Other materials and supplies	535,036
Utilities	140,153
Casualty and liability costs	272,860
Taxes	-
Purchased transportation	732,248
Miscellaneous expenses	34,197
Consolidation project expenses	88,231
Mileage reimbursements	53,505
Depreciation	<u>2,039,660</u>

TOTAL OPERATING EXPENSES 14,110,648

LOSS FROM OPERATIONS (9,455,389)

NON-OPERATING REVENUES (EXPENSES)

Capital funds used for operating assistance and planning grants:	
Federal government	2,048,086
Commonwealth of Pennsylvania Act 44	53,613
Luzerne County Act 44 matching funds	5,156

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2014

Operating grants:	
Commonwealth of Pennsylvania Act 44	4,533,783
Commonwealth of Pennsylvania Technical Assistance Grant	88,231
Luzerne County Act 44 matching funds	<u>482,107</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	<u>7,210,976</u>
Other public/private sources:	
Gain on sale of capital assets	<u>29,046</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,240,022</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(2,215,367)</u>
CAPITAL GRANT FUNDING	
Federal	131,334
Commonwealth of Pennsylvania Act 44 Capital	(439)
Commonwealth of Pennsylvania Act 26	117,476
Commonwealth of Pennsylvania 1516 PWD	-
Commonwealth of Pennsylvania 1516 CTC	28,087
Luzerne County	<u>4,232</u>
TOTAL CAPITAL GRANT FUNDING	<u>280,690</u>
CHANGE IN NET POSITION	(1,934,677)
NET POSITION - BEGINNING	<u>17,791,580</u>
NET POSITION - ENDING	<u>\$ 15,856,903</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,651,582
Cash payments to suppliers for goods and services	(3,699,112)
Cash payments to employees for services	(8,593,374)
Other operating cash receipts	<u>35,077</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(7,605,827)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts of operating grants for other governmental entities	(1,549,730)
Receipts from operating grants	<u>5,448,687</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>3,898,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from capital grants	(256,632)
Proceeds from sale of equipment	29,046
Purchase of capital assets	<u>(284,724)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(512,310)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH	(4,219,180)
CASH - JULY 1, 2013	<u>9,810,470</u>
CASH - JUNE 30, 2014	<u>\$ 5,591,290</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>(9,455,389)</u>
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:	
Depreciation	2,039,660
Changes in assets and liabilities:	
Decrease in accounts receivable	34,338
Increase in miscellaneous receivables	(3,612)
Decrease in inventories	35,181
Increase in prepaid insurance	(38,401)
Decrease in accounts payable	(238,207)
Increase in accrued salaries and wages	15,793
Increase in accrued payroll taxes and employee funds	54
Increase in accrued pension	33,842
Increase in unredeemed fares	674
Decrease in accrued compensated absences	<u>(29,760)</u>
TOTAL ADJUSTMENTS	<u>1,849,562</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (7,605,827)</u>



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: NATURE OF OPERATIONS, ORGANIZATION AND CONCENTRATIONS

The Luzerne County Transportation Authority is a municipal authority incorporated under the Pennsylvania Municipal Authorities Act of 1945, approved May 2, 1945, P.L. 382, as amended and supplemented pursuant to a resolution adopted October 2, 1972 by the Board of County Commissioners of the County of Luzerne, Pennsylvania. Under this resolution, the Authority was authorized to organize, acquire, hold, construct, improve, maintain and operate, own, lease, either in the capacity of lessor or lessee, all facilities necessary or incidental thereto for the operation of a mass transportation system, including motor buses, for public use in Luzerne County.

The Authority entered into a transfer of service and provider agreement effective July 1, 2011, with Luzerne County, whereas, Luzerne County transferred to the Authority and designates the Authority as the provider for all shared ride and paratransit service in Luzerne County. The entire operations including all assets, grant agreements, service contracts, employee contracts, lease contracts and the cooperative agreement with Wyoming County were transferred.

The Authority's fixed route revenues come from providing public transportation services in Luzerne County, Pennsylvania. Funding for the fixed route is received from federal, state and county sources.

The Authority's shared ride program provides rural transportation services to the general public in Luzerne and Wyoming counties on a full-fare basis and a reduced-fare basis to senior citizens and persons with disabilities. The overall goal of the program is to provide access to services for individuals who have no other reasonable alternative for transportation, and thus to insure optional independence and care of persons in their own homes and communities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Authority.

A. The Financial Reporting Entity:

The Authority applies the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*. Statement No. 61 is an amendment to Statement No. 14 and Statement No. 34, modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

These statements have also been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 61). These criteria include significant

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

operational or financial relationships with the Authority. The adoption of GASB No. 61 did not have any impact on the Authority's financial statements.

There are no agencies or entities which should be presented with the Authority.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Authority reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Recent Accounting Pronouncements**

In June 2012, GASB issued Statement No. 68, *Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. The objective of this Statement is to improve accounting and reporting by governments for pension plans, including recognition as a liability the unfunded pension liability. This Statement is effective for periods beginning after June 15, 2014. The Authority is currently evaluating the effects of this Statement.

In January 2013, the GASB approved Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The Authority is currently evaluating the effects of this statement on its financial statements.

In April 2013, the GASB approved Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Authority is currently evaluating the effects of this statement on its financial statements.

In November 2013, the GASB approved Summary of Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 effective for fiscal years beginning after June 15, 2014. The Authority is currently evaluating the effects of this statement on its financial statements.

C. Funding

1. Operating Assistance – fixed route:

The Authority receives operating assistance from Pennsylvania Department of Transportation Act 44 funding and Luzerne County. It also funds certain allowable operating expenses with Federal Transportation Administration capital assistance grants. Any funding received in excess of the funding needed to subsidize current year's eligible expenses are required to be classified as deferred revenue and used in subsequent fiscal years.

2. Capital Grant Funding – fixed route:

Substantially, all of the Authority's fixed assets have been acquired through capital grant funding. Funds received from capital grant projects are recognized as non-operating revenues. Expenditures of capital grant funding are capitalized with the costs being recovered via depreciation which is reflected as a decrease in net position. The primary source of capital grant funding received by the Authority has been from U.S. Department of Transportation, Commonwealth of Pennsylvania Act 26 Dedicated Funds, Commonwealth of Pennsylvania Act 44 Funds, and local grants. Any capital grant funds in excess of grant funds that

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

were received to subsidize the current year's eligible capital expenditures are required to be classified as deferred revenue and used in subsequent fiscal years.

3. Operating Revenue – shared-ride:

Principle sources of operating revenue for the shared-ride program were user revenues received from agencies and organizations, Medical Assistance Transportation Program (MATP), Human Services Development Fund and Commonwealth of Pennsylvania Department of Transportation revenue replacement shared-ride funds for services rendered to passengers on a user charge basis. The Authority's collected ticket fares for trips provided under the Authority's shared-ride demand responsive reduced fare programs. The Authority also received operating revenue from additional charges for van aides.

4. Capital Funding – shared-ride:

The Authority receives non-operating revenue from capital equipment grants, interest revenue and gains on vehicle disposals. Non-operating capital grants are used to purchase capital assets primarily vehicles. These capital grants are received from the Pennsylvania Department of Transportation.

5. Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then use unrestricted resources as they are needed.

D. Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts, including accounts subject to withdrawal restrictions, and all highly-liquid debt investments purchased with a maturity of three months or less to be cash.

E. Accounts Receivable

Included in accounts receivable are the amounts due from other governmental agencies, non-profit organizations and other third party payers under various contractual agreements. All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

F. Capital Assets

Capital assets include property, plant and equipment and are recorded at historical cost and depreciated utilizing the straight-line method over their estimated useful lives as follows:

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Assets</u>	<u>Life</u>	
Revenue Vehicles	4 - 12	Years
Service Vehicles	5	Years
Shelter and Bus Stop Signs	10 - 15	Years
Structures and Improvements	5 - 30	Years
Shop and Garage Equipment	3 - 10	Years
Radios	10	Years
Fareboxes	10 - 12	Years
Office Equipment	3 - 10	Years
Communications Equipment	10	Years
Installed Equipment	10	Years
Computer Equipment	5 - 10	Years

Maintenance and repairs of capital assets are expensed when incurred. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts.

Upon the sale of capital assets, the proceeds, net of disposal costs, may be required to be returned to the various funding sources that initially funded the acquisition of these items.

G. Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

H. Compensated Absences

The Authority records its obligation to compensate employees for vacation, sick, and personal time as the liability is incurred. The liability has been determined according to personnel policies of the Authority.

I. Deferred Revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but not available.

J. Classification of Net Position

Accounting standards requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

- Restricted - This component of net position consists of constraints placed on assets through external restrictions, reduced by liabilities related to those assets.
- Unrestricted - This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

K. Use of Estimates

The preparation of the basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Advertising Costs

The Authority follows the policy of charging the costs of advertising to expense as incurred.

M. Subsequent Events

The Authority has evaluated subsequent events through December 17, 2014, the date the financial statements were issued.

NOTE 3: BUDGET MATTERS

The Authority adopts an annual budget; however, the Pennsylvania Municipality Authorities Act does not require it.

NOTE 4: CASH AND INVESTMENTS

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes.

The deposit and investment policy of the Authority adheres to federal and state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or collateralized time deposits are captioned as "cash" in the balance sheet.

There are no deposit or investment transactions during the year that were in violation of federal or state statutes or the policy of the Authority.

The Authority has custodial credit risk on cash deposits. This is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2014

As of June 30, 2014, the carrying amounts of the Authority's cash balances were \$5,591,290, and the bank balances were \$6,065,700, of which \$5,815,700 was exposed to custodial risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority maintains \$600 in petty cash funds as of June 30, 2014.

As of June 30, 2014, the Authority had no investments.

NOTE 5: RESTRICTED CASH

Cash in the amount of \$174,829 is restricted to the purchase of capital items in accordance with Commonwealth of Pennsylvania Act 26 of 1991 (See Note 12).

Cash in the amount of \$5,233,699 is restricted to the funding of operating assistance in accordance with Commonwealth of Pennsylvania Act 44 of 2007, State Section 1513 (See Note 13).

NOTE 6: CAPITAL ASSISTANCE GRANTS RECEIVABLE

At June 30, 2014, the following amounts are due on capital project grants:

Federal government	\$1,081,065
Commonwealth of Pennsylvania	<u>30,012</u>
Total	<u>\$1,111,077</u>

NOTE 7: INVENTORIES

Components of inventory as of June 30, 2014 are as follows:

Parts	\$ 274,432
Fuel	<u>28,710</u>
Total	<u>\$ 303,142</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8: CAPITAL ASSETS

The components of fixed assets as of June 30, 2014 are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Capital assets not being depreciated:			
Land	\$ 132,716	\$ -	\$ 132,716
Capital assets being depreciated:			
Revenue Vehicles	18,055,683	8,702,640	9,353,043
Service Vehicles	246,295	246,295	-
Shelters and Bus Stop Signs	154,796	154,796	-
Structures and Improvements	7,072,178	2,358,565	4,713,613
Installed Equipment	391,784	286,665	105,119
Shop and Garage Equipment	346,293	190,466	155,827
Radios	75,126	46,764	28,362
Fareboxes	658,044	429,757	228,287
Office Equipment	54,516	36,920	17,596
Computer Equipment	173,797	156,801	16,996
Signs and Enunciator	<u>699,095</u>	<u>127,607</u>	<u>571,488</u>
Total capital assets being depreciated, net	<u>\$ 27,927,607</u>	<u>\$ 12,737,276</u>	<u>\$ 15,190,331</u>
Total capital assets, net	<u>\$ 28,060,323</u>	<u>\$ 12,737,276</u>	<u>\$ 15,323,047</u>

Total depreciation for the year ended June 30, 2014 was \$2,039,660.

The following schedule summarizes the change in the fixed assets:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Property and Equipment	\$ 28,393,045	\$ 287,300	\$ (620,022)	\$ 28,060,323
Accumulated Depreciation	<u>(11,315,062)</u>	<u>(2,039,660)</u>	<u>617,446</u>	<u>(12,737,276)</u>
Total	<u>\$ 17,077,983</u>	<u>\$ (1,752,360)</u>	<u>\$ (2,576)</u>	<u>\$ 15,323,047</u>

NOTE 9: ACCOUNTS PAYABLE – MEDICAL ASSISTANCE PROGRAM

The Authority through its shared-ride division has contracted with the Pennsylvania Department of Public Welfare to provide medical transportation to residents eligible for medical assistance in Luzerne County and Wyoming County. Medical transportation services were provided according to the fee-for-service fare structure. MATP funding remaining at June 30, 2014 was included in Accounts Payable – Medical Assistance Program as follows:

Luzerne County	\$ 27,340
Wyoming County	<u>7,793</u>
	<u>\$ 35,133</u>



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 10: DUE TO HAZLETON PUBLIC TRANSIT SYSTEM**

As part of the Penn DOT Consolidation Plan, funding for the fiscal year ended June 30, 2014 included combined funding for the Luzerne County Transportation Authority, Shared Ride program, and the Hazleton Public Transit System. As of February 2012, Penn DOT instructed the Authority to hold the funds allocated to the Hazleton Transit Authority System until such time Penn DOT allows the funds to be paid to Hazleton Transit Authority. The amount due to Hazleton Transit Authority as of June 30, 2014 was \$2,067.

**NOTE 11: DEFERRED REVENUE - PENN DOT AND LUZERNE COUNTY**

As of June 30, 2014, the LCTA received from the Commonwealth of Pennsylvania and the County of Luzerne funding in excess of the amount needed to fund the operating deficit and capital projects as further discussed in Note 12 and 13. In accordance with the Penn DOT purchase of service agreement, the unexpended funds are to be transferred to and maintained in an interest bearing account until expended on a project cost.

**NOTE 12: DEFERRED REVENUE ACT 26 FUNDING**

During November 1991, the Commonwealth of Pennsylvania enacted Act 26 of 1991, Dedicated Transit Funding. This provided additional sales taxes which was collected by the state and designated to Public/Mass Transportation. In July 2007, the Commonwealth of Pennsylvania enacted Act 44 into law. All future public transportation funding will be administered under this Act as discussed in Note 13. The Act requires a minimum County match.

Act 26 funds not used in prior years may be carried over and used only for capital purposes.

Interest earned on the capital funding amounted to \$2,708 and was also deferred. Act 26 Funding utilized for capital expenditures during the year was \$117,476. This resulted in a deferred revenue as of June 30, 2014 in the amount of \$126,118.

**NOTE 13: DEFERRED REVENUE ACT 44 FUNDING**

During July 2007, the Commonwealth of Pennsylvania enacted Act 44, Public Transit funding. This Act establishes a Public Transportation Trust Fund with dedicated funding sources and stabilized operating funding for local transit systems, while simplifying and streamlining grant programs. Funding is linked to need and performance. The funding is for operating and capital assistance. The Act requires a minimum County match.

The funding received is limited to funding the state portion of operating and capital assistance. Any amount not spent during the fiscal year may be carried over to future periods. The amount carried over from the prior year is \$7,690,043. The amount received during the fiscal year ended June 30, 2014 was \$2,523,312. Interest earned amounted to \$28,384 and was also deferred. Funding utilized for asset maintenance and operating assistance amounted to \$4,587,396. This resulted in deferred revenue as of June 30, 2014 in the amount of \$5,654,343.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 14: UNREDEEMED FARES

Unredeemed fares include unused tickets sold under the S.T.E.P. program, PWD program and the lottery program administered through the shared ride division of the Authority. As of June 30, 2014, the amounts were as follows:

S.T.E.P. Program	\$ 38,458
PWD Program	6,449
Lottery Program	<u>93,788</u>
	<u>\$ 138,695</u>

NOTE 15: PENSION PLAN

Retirement benefits are provided to both union and non-union employees. Four separate plans were in effect as follows:

Non-Union Employees – Fixed Route & Shared Ride

The Authority provides pension benefits to all non-union employees who have attained age 21 and have completed one year of credited service. The total pension expense for the fiscal year ending June 30, 2014, 2013, and 2012 was \$228,254, \$144,776, and \$149,495, respectively.

The Authority makes annual contributions to the plan based on the suggested contribution provided by the actuary. Employees contribute 3% of their compensation to the plan. A comparison of accumulated plan benefits and plan net assets as of the date of the latest actuarial report, January 1, 2013, is presented below:

Actuarial Accrued Liabilities	\$ 2,298,816
Asset Balance	<u>1,275,175</u>
UNFUNDED ACTUARIAL ACCRUED LIABILITY	<u>\$(1,023,641)</u>
Net Assets Available for Benefits at Market (01-01-13)	<u>\$ 1,275,175</u>

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits is 8% per annum. The benefit information presented above was determined at January 1, 2013 by Conrad M. Siegel, Inc. for ASCO Financial Group, Inc. The breakdown of the actuarial present value of vested and non-vested plan benefits was not provided in the actuaries' report.

Union Employees – Fixed Route

The Authority provides pension benefits to all union employees who have completed 60 months employment with the Authority. The total pension expense for the fiscal year ending June 30, 2014, 2013 and 2012 was \$111,933, \$117,342, and \$112,976, respectively.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

Funding required to pay plan expenses and benefits is provided by contributions by the employees and the Authority in accordance with a collective bargaining agreement. A comparison of accumulated plan benefits and plan net assets as of the date of the latest actuarial report, January 1, 2013, is presented below:

Actuarial Accrued Liabilities	\$ 5,446,594
Asset Balance	<u>3,228,964</u>
UNFUNDED ACTUARIAL ACCRUED LIABILITY	<u>\$ (2,217,630)</u>
Net Assets Available for Benefits at Market (01-01-11)	<u>\$ 3,228,964</u>

The assumed rate of return used in determining the actuarial value of accumulated plan benefits is 8.5% per annum. The benefit information presented above was determined at January 1, 2013 by Conrad M. Siegel, Inc. for ASCO Financial Group, Inc.

Union Employees – Shared-Ride (Defined Benefit Plan)

For the period July 1, 2013 to December 31, 2013, as part of the transfer of service and provider agreement, the union employees of the shared-ride division continued to participate in the Luzerne County Employees' Retirement System in accordance with the collective bargaining agreement. The Luzerne County Employees' Retirement System is a single-employer defined benefit pension plan that covers all employees of Luzerne County. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Luzerne County Employees' Retirement Board. Act 96 of 1971, as amended cited as the County Pension Law provides for the creation maintenance and operation of this plan. The Luzerne County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the Luzerne County Employees' Retirement Board Luzerne County Courthouse, Luzerne County, Pennsylvania.

Plan members are required to contribute 5% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

The Authority paid pension benefits to the County for all eligible employees. Total pension expense for the fiscal year ending June 30, 2014, 2013, and 2012 was \$72,078, \$140,740, and \$118,152, respectively.

Defined Contribution Plan – Shared-Ride (Union)

Effective January 1, 2014, the Authority is the sponsor of a defined contribution retirement plan for shared-ride union employees. Under the plan, for employees who have completed 60 days of full-time service, the Authority contributes 5 percent of annual compensation. The participants are fully-invested in their accounts at all times. Retirement plan expense for the year ended June 30, 2014 was \$15,626.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 16: ECONOMIC DEPENDENCY

The Authority receives a majority of its funding from federal, state, and local agencies. Should the federal, state, or local governments significantly decrease the funding, the continued existence of the Authority would be in doubt.

NOTE 17: CONTINGENCIES

- A. The Authority participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.
- B. There are currently a few matters in litigation with the Authority as defendant. It is the opinion of management that the potential claims against the Authority not covered by insurance would not materially affect the financial statements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUE

PASSENGER REVENUE

Full adult fares	\$ 517,847
Full fare transfers	35,800
Reduced fare transfers	3,267
31 day passes	239,201
20 ride passes	102,510
Short fares	11,110
10 ride passes	41,583
1 day passes	75,578
1 ride passes	4,767
Student passes	55,188
Handicapped fares	<u>35,956</u>

TOTAL PASSENGER SERVICE 1,122,807

ADVERTISING	57,208
MISCELLANEOUS INCOME	18,777
UNIFIED WORK PROGRAM	<u>19,900</u>

TOTAL OPERATING REVENUE 1,218,692

OPERATING EXPENSES

Administration - transportation operations:

Salaries and wages	133,692
Fringe benefit and payroll taxes	102,373
Depreciation:revenue vehicle movement control	5,046

Scheduling - transportation operations:

Salaries and wages	9,919
Fringe benefits and payroll taxes	8,421

Revenue vehicle operations:

Salaries and wages	2,065,556
Fringe benefits and payroll taxes	1,677,232
Fuel	725,418
Tires and tubes	50,583
Lubricant	24,552
Depeciation:	
Buses	1,283,937
Destination signs and voice enunciator	37,340
Consultants	3,509

Maintenance admin.-vehicles:

Salaries and wages	120,152
Fringe benefits and payroll taxes	88,575
Depreciation:shop and garage equipment	18,275

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2014

Servicing-revenue vehicles:	
Salaries and wages	\$ 234,648
Fringe benefits and payroll taxes	186,271
Material and supplies	3,278
Depreciation: installed equipment	35,230
Inspection and maintenance-rev. vehicles:	
Salaries and wages	313,537
Fringe benefits and payroll taxes	245,655
Contracted maintenance Services	28,401
Material and supplies	375,427
Accident repairs-revenue vehicles:	
Salaries and wages	43,671
Fringe benefits and payroll taxes	34,426
Premiums for physical damage insurance	201,661
Vandalism repairs-revenue vehicles:	
Salaries and wages	2,305
Fringe benefits and payroll taxes	1,812
Service and fuel-service vehicles:	
Salaries and wages	4,098
Fringe benefits and payroll taxes	3,063
Fuel	3,763
Contracted maintenance Services	956
Inspection and maintenance-service vehicles:	
Contracted maintenance Services	3,380
Maintenance Admin.-facilities:	
Salaries and wages	41,018
Fringe benefits and payroll taxes	32,053
Depreciation.-structures & improvements	236,318
Maintenance-vehicle move. control:	
Contracted maintenance services	-
Maintenance-fare collect. & count equip.:	
Salaried and wages	10,610
Fringe benefit and payroll taxes	7,749
Contracted maintenance services	159
Maintenance:-buildings, grounds, equip.:	
Fringe benefits & payroll taxes	15,315
Buildings & grounds-wages	9,688
Buildings & grounds-contracted services	96,325
Buildings & grounds-custodial services	3,523
Buildings & grounds-material & supplies	2,576
Janitorial: salaries and wages	9,688
Janitorial: material & supplies	8,599

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2013

Ticket and fare collection:	
Salaries and wages	\$ 19,924
Fringe benefits and payroll taxes	15,810
Material and supplies	23,829
Depreciation: fareboxes & counting equipment	54,379
General administrative expenses:	
Fringe benefits and payroll taxes	245,153
Step program wages	8,820
Step program fringe benefits	7,034
Security service	1,321
Premiums-public liability. & prop. damage	17,294
Safety-salaries and wages	7,935
Safety-material and supplies	4,396
Personnel-professional and technical services	4,925
Legal - salaries and wages	29,542
Legal-professional and technical services	18,234
Accounting and auditing services	33,890
Finance and accounting-salaries	90,094
Finance & acct.-materials & supplies	1,548
Purchasing & store.-wages	49,069
Office management-materials & supplies	19,161
IT salaries and wages	62,232
Date processing-professional & technical services	18,414
General management-salaries	78,884
General management-professional & technical services	9,764
Marketing:	
Customer service-salaries and wages	95,972
Customer service-materials and supplies	30,445
Customer service-telephone	636
Promotion-media	6,278
Fringe benefits and payroll taxes	75,906
General expenses:	
Materials and supplies	598
Heat, power, light, water, & phone	116,510
Dues and subscriptions	14,911
Travel and meetings	8,340
Other miscellaneous expenses	595
Depreciation: service vehicles	1,758
Depreciation: office equipment	3,757
Depreciation: computer system	7,969
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TOTAL OPERATING EXPENSES	9,735,110
	<hr/>
LOSS FROM OPERATIONS	(8,516,418)
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LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2014

NON-OPERATING REVENUE (EXPENSES)	
CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:	
Federal government	\$ 1,813,010
OPERATING GRANTS:	
Commonwealth of Pennsylvania Act 44	4,533,783
Luzerne County Act 44 matching funds	<u>482,107</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	6,828,900
OTHER PUBLIC/PRIVATE SOURCES:	
Gain on sale of capital assets	<u>-</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>6,828,900</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(1,687,518)</u>
CAPITAL GRANT FUNDING	
Federal	18,985
Commonwealth of Pennsylvania Act 44 Capital Section 1517	(439)
Commonwealth of Pennsylvania Act 26	117,476
Luzerne County	<u>4,232</u>
TOTAL CAPITAL GRANT FUNDING	<u>140,254</u>
CHANGE IN NET POSITION	<u>\$ (1,547,264)</u>



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF REVENUE AND EXPENSES - ADA PARATRANSIT OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUE	
Passenger fares	\$ <u>63,474</u>
TOTAL PASSENGER SERVICE	<u>63,474</u>
OPERATING EXPENSES	
Purchased transportation:	
Vehicle operations	232,257
Maintenance	71,463
General and administration	<u>53,599</u>
TOTAL OPERATING EXPENSES	<u>357,319</u>
LOSS FROM OPERATIONS	<u>(293,845)</u>
NON-OPERATING REVENUE (EXPENSES)	
CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:	
Federal government	235,076
Commonwealth of Pennsylvania Act 44	53,613
Luzerne County Act 44 matching funds	<u>5,156</u>
	<u>293,845</u>
CHANGE IN NET POSITION	<u>\$ -</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF REVENUE AND EXPENSES - NON-FIXED ROUTE OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUE

CONTRACT TRANSPORTATION FARES

Medical Assistance Transportation Program:

Luzerne County	\$ 1,243,636
Wyoming County	46,824

Human Services Development Fund:

Luzerne County	-
Wyoming County	5,809

Commonwealth of Pennsylvania Department of Transportation

Persons with Disabilities	35,951
Section 203 Lottery Program	626,617

Shared-Ride Ticket Fares:

Persons with Disabilities	6,379
Section 203 Lottery Program	111,234

User Agencies and Organizations

Department of Public Welfare	
Promise	541,490
Waiver	24,548
Luzerne County Transportation Authority	357,319
Luzerne-Wyoming County Mental Health/Mental Retardation Programs	
Partial Hospitalization	36,345
Promise	176,459
Vocational Rehabilitation	18,631
Luzerne County Children and Youth Services	37,508
VOA	5,280
CCS Rehab	25,586
Child Development Council	<u>11,407</u>

TOTAL FEE-FOR-SERVICE OPERATING REVENUE	3,311,023
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OTHER OPERATING REVENUE

Charges for Vehicle Transportation Aides	1,062
Medical Assistance Client Travel Reimbursement	
Luzerne County	47,521
Wyoming County	5,984
Miscellaneous income	<u>7,503</u>

TOTAL OPERATING REVENUES	<u>3,373,093</u>
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LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF REVENUE AND EXPENSES - NON-FIXED ROUTE OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING EXPENSES

Salaries and wages:

Operators	\$ 968,338
Maintenance	88,433
Administration	303,828

Fringe benefits:

Operators	609,393
Maintenance	68,831
Administration	386,578

Services:

Outside repairs	10,178
Building and grounds	3,395
Legal	1,507
Accounting and auditing	28,510
Radios	8,415
Professional and technical services	7,392

Fuels and lubricants:

Fuel	463,191
Oil and lubricants	5,100

Tires and tubes

44,837

Other materials and supplies:

Materials and supplies - vehicles	48,040
Office supplies	11,524
Other materials and supplies	4,659

Utilities:

Heat, power, lights, water, and phone	23,007
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Casualty and liability costs:

Vehicle insurance	53,905
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Purchased transportation

78,402

Miscellaneous expenses:

Dues and subscriptions	4,000
Consolidation project expenses	88,231
Travel	4,999
Other miscellaneous expenses	1,352

Non-public other transportation expenses:

Purchased transportation	296,527
Mileage reimbursements	53,505

Depreciation

352,142

TOTAL OPERATING EXPENSES

4,018,219

LOSS FROM OPERATIONS

(645,126)

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF REVENUE AND EXPENSES - NON-FIXED ROUTE OPERATIONS  
 FOR THE YEAR ENDED JUNE 30, 2014

NON-OPERATING REVENUE (EXPENSES)	
OPERATING GRANTS:	
Commonwealth of Pennsylvania Technical Assistance	\$       88,231
OTHER PUBLIC/PRIVATE SOURCES:	
Gain on sale of capital assets	<u>          29,046</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>          117,277</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>         (527,849)</u>
CAPITAL GRANT FUNDING	
Federal Section 5310	112,349
Commonwealth of Pennsylvania Section 1516 PWD	-
Commonwealth of Pennsylvania Section 1516 CTC	<u>          28,087</u>
TOTAL CAPITAL GRANT FUNDING	<u>          140,436</u>
CHANGE IN NET POSITION	<u>\$       (387,413)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

Federal CFDA Number	Federal Grantor/Program Title	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 07-01-14	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 06-30-14
<b>DIRECT FUNDING</b>							
<b>U.S. Department of Transportation</b>							
<b>Federal Transit Formula Grants:</b>							
20-507	PA 90-X727	\$ 4,113,189	\$ 5,283	\$ 282	\$ 4,991	\$ 4,991	\$ -
20-507	PA 90-X755	1,891,969	263,159	281,792	1,367	1,367	-
20-507	PA 90-X782 (formerly 90-X760)	2,127,257	1,387,655	406,007	1,667,002	1,667,002	687,354
20-507	PA 90-X813	2,181,225	-	-	393,711	393,711	393,711
	<b>TOTAL DEPARTMENT OF TRANSPORTATION DIRECT FUNDING</b>	<b>10,313,630</b>	<b>1,656,037</b>	<b>670,081</b>	<b>2,067,071</b>	<b>2,067,071</b>	<b>1,081,065</b>
<b>INDIRECT FUNDING</b>							
<b>U.S. Department of Transportation</b>							
<b>Pass through Pennsylvania Department of Transportation:</b>							
20-513	Federal Transit Capital Assistance Grants: PA 16-X035	228,809	228,809	-	228,809	228,809	-
	<b>TOTAL DEPARTMENT OF TRANSPORTATION INDIRECT FUNDING</b>	<b>228,809</b>	<b>228,809</b>	<b>-</b>	<b>228,809</b>	<b>228,809</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>							
<b>Pass through Pennsylvania Department of Public Welfare:</b>							
93-778	Medical Assistance Program	320,737	320,737	-	304,047	304,047	73,159
	<b>TOTAL MEDICAL ASSISTANCE PROGRAM - DPW</b>	<b>320,737</b>	<b>320,737</b>	<b>-</b>	<b>304,047</b>	<b>304,047</b>	<b>73,159</b>
<b>Pass through Luzerne County:</b>							
93-778	Medical Assistance Transportation Program - Luzerne County	620,995	620,995	-	608,134	608,134	(12,861)
	<b>TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE</b>	<b>620,995</b>	<b>620,995</b>	<b>-</b>	<b>608,134</b>	<b>608,134</b>	<b>(12,861)</b>
<b>Pass through Wyoming County:</b>							
93-778	Medical Assistance Transportation Program - Wyoming County	29,540	29,540	-	25,869	25,869	(3,970)
	<b>TOTAL MEDICAL ASSISTANCE PROGRAM - WYOMING</b>	<b>29,540</b>	<b>29,540</b>	<b>-</b>	<b>25,869</b>	<b>25,869</b>	<b>(3,970)</b>
<b>Pass through Luzerne/Wyoming County:</b>							
93-778	Office of Mental Health/Developmental Services Medical Assistance Program	34,739	34,739	-	34,739	34,739	-
	<b>TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE/WYOMING COUNTIES</b>	<b>34,739</b>	<b>34,739</b>	<b>-</b>	<b>34,739</b>	<b>34,739</b>	<b>-</b>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES INDIRECT FUNDING</b>							
	<b>TOTAL INDIRECT FUNDING</b>	<b>11,548,450</b>	<b>2,890,817</b>	<b>670,081</b>	<b>3,268,669</b>	<b>3,268,669</b>	<b>\$ 1,137,393</b>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: GENERAL

The accompanying schedule of financial awards presents the activity of all federal financial assistance programs of the Luzerne County Transportation Authority for the year ended June 30, 2014. The Luzerne County Transportation Authority's reporting entity is defined in Note 2 of the Authority's basic financial statements. Federal financial assistance received directly from federal agencies is included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of financial awards is presented using the accrual basis of accounting, which is described in Note 2 to the Authority's basic financial statements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 SCHEDULE OF EXPENDITURES OF PENNSYLVANIA DEPARTMENT OF  
 PUBLIC WELFARE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Identifying Number	Grant Period	Payments Received		Revenue Recognized		
				Federal	State	Federal	State	Total
<b>U.S. Department of Health and Human Services</b>								
Pass through Pennsylvania Department of Public Welfare: Medical Assistance Program	93.778	n/a	07/01/2013-06/30/2014	\$ 320,737	\$ 276,371	\$ 304,047	\$ 261,991	\$ 566,038
<b>TOTAL MEDICAL ASSISTANCE PROGRAM</b>				<u>320,737</u>	<u>276,371</u>	<u>304,047</u>	<u>261,991</u>	<u>566,038</u>
Medical Assistance Transportation Program - Luzerne County	93.778	n/a	07/01/2013-06/30/2014	620,995	697,467	608,134	683,023	1,291,157
<b>TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE</b>				<u>620,995</u>	<u>697,467</u>	<u>608,134</u>	<u>683,023</u>	<u>1,291,157</u>
Pass through Wyoming County Medical Assistance Transportation Program - Wyoming County	93.778	n/a	07/01/2013-06/30/2014	29,540	33,177	25,869	29,055	54,924
<b>TOTAL MEDICAL ASSISTANCE PROGRAM - WYOMING</b>				<u>29,540</u>	<u>33,177</u>	<u>25,869</u>	<u>29,055</u>	<u>54,924</u>
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				<u>\$ 971,272</u>	<u>\$ 1,007,015</u>	<u>\$ 938,050</u>	<u>\$ 974,069</u>	<u>\$ 1,912,119</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
NOTES TO SCHEDULE OF EXPENDITURES OF  
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of Pennsylvania Department of Public Welfare awards includes the Department of Public Welfare grant activity of Luzerne County Transportation Authority for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Commonwealth of Pennsylvania Department of Public Welfare Single Audit Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: DEPARTMENT OF PUBLIC WELFARE FUNDING

The schedule of expenditures of Pennsylvania Department of Public Welfare Awards presents the activity of all Department of Public Welfare award programs of Luzerne County Transportation Authority. Pennsylvania Department of Public Welfare awards passed through state and local governmental agencies are included in the schedule of expenditures of Pennsylvania Department of Public Welfare awards. Estimates of Pennsylvania Department of Public Welfare funding have been made based upon information received from the state funding agency and the local pass-through offices.



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE  
LEG - FIXED ROUTE URBAN EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 2,065,556	\$ -	\$ -	\$ 2,065,556
Other Salaries and Wages	163,535	789,415	422,548	1,375,498
Fringe Benefits	1,803,836	614,919	328,093	2,746,848
Services	-	131,788	92,826	224,614
Fuel and Lubricants	753,733	-	-	753,733
Tires and Tubes	50,583	-	-	50,583
Other Materials and Supplies	-	390,836	79,977	470,813
Utilities	-	-	117,146	117,146
Casualty and Liability Costs	-	-	218,955	218,955
Taxes	-	-	-	-
Purchased transportation	-	-	-	-
Miscellaneous Expenses	-	-	23,846	23,846
Expense Transfers	-	-	-	-
	<u>4,837,243</u>	<u>1,926,958</u>	<u>1,283,391</u>	<u>8,047,592</u>
Total System Expenses				
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<u>-</u>
Total Applied Reconciling Items				-
TOTAL OPERATING EXPENSES				<u>8,047,592</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				1,687,518
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<u>-</u>
Total Non-applied Reconciling Items				<u>1,687,518</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 9,735,110</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE  
LEG - NON-FIXED ROUTE ADA PARATRANSIT EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ -	\$ -	\$ -	\$ -
Other Salaries and Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Services	-	-	-	-
Fuel and Lubricants	-	-	-	-
Tires and Tubes	-	-	-	-
Other Materials and Supplies	-	-	-	-
Utilities	-	-	-	-
Casualty and Liability Costs	-	-	-	-
Taxes	-	-	-	-
Purchased transportation	232,257	71,463	53,599	357,319
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total System Expenses	<u>232,257</u>	<u>71,463</u>	<u>53,599</u>	<u>357,319</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<hr/>
Total Applied Reconciling Items				-
<b>TOTAL OPERATING EXPENSES</b>				<hr/> <b>357,319</b>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				-
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<hr/>
Total Non-applied Reconciling Items				-
<b>TOTAL OPERATING EXPENSES PER AUDIT</b>				<hr/> <b>\$ 357,319</b>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE  
LEG - NON-FIXED ROUTE SHARED RIDE EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 968,338	\$ -	\$ -	\$ 968,338
Other Salaries and Wages	-	88,433	303,828	392,261
Fringe Benefits	609,393	68,831	386,578	1,064,802
Services	1,000	21,988	36,409	59,397
Fuel and Lubricants	468,291	-	-	468,291
Tires and Tubes	44,837	-	-	44,837
Other Materials and Supplies	-	50,043	14,180	64,223
Utilities	-	-	23,007	23,007
Casualty and Liability Costs	-	-	53,905	53,905
Taxes	-	-	-	-
Purchased transportation	-	-	78,402	78,402
Miscellaneous Expenses	-	-	98,581	98,581
Expense Transfers	-	-	-	-
	<u>2,091,859</u>	<u>229,295</u>	<u>994,890</u>	<u>3,316,044</u>
Total System Expenses				
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				1
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<u>1</u>
Total Applied Reconciling Items				
TOTAL OPERATING EXPENSES				<u>\$ 3,316,045</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				352,142
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<u>352,142</u>
Total Non-applied Reconciling Items				
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 3,668,187</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE  
LEG - NON PUBLIC EXPENSES - OTHER TRANSPORTATION  
FOR THE YEAR ENDED JUNE 30, 2014

	Non-Shared Ride <u>Paratransit</u>	MATP Non-Shared Ride <u>Paratransit</u>	MATP Mileage <u>Reimbursement</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ -	\$ -	\$ -	\$ -
Other Salaries and Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Services	-	-	-	-
Fuel and Lubricants	-	-	-	-
Tires and Tubes	-	-	-	-
Other Materials and Supplies	-	-	-	-
Utilities	-	-	-	-
Casualty and Liability Costs	-	-	-	-
Taxes	-	-	-	-
Purchased transportation	-	296,527	-	296,527
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
Mileage Reimbursement	-	-	53,505	53,505
MATP-Admin Reimbursement	-	-	-	-
	<u>-</u>	<u>296,527</u>	<u>53,505</u>	<u>350,032</u>
Total System Expenses	<u>-</u>	<u>296,527</u>	<u>53,505</u>	<u>350,032</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<u>-</u>
Total Applied Reconciling Items				<u>-</u>
TOTAL OPERATING EXPENSES				350,032
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				-
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<u>-</u>
Total Non-applied Reconciling Items				<u>-</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 350,032</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES  
LEG - FIXED ROUTE REVENUES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
Transportation Revenues			
Passenger Fares	\$ 1,122,807	\$ -	\$ 1,122,807
Advertising	57,208	-	57,208
Charter	-	-	-
Route Guarantees	-	-	-
Other Revenue			
Jury Duty/Warranties	18,778	-	18,778
Sale of Assets	-	-	-
Other Revenue/UPWP	<u>19,900</u>	<u>-</u>	<u>19,900</u>
 TOTAL REVENUE	 <u>\$ 1,218,693</u>	 <u>\$ -</u>	 <u>\$ 1,218,693</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES  
LEG - NON-FIXED ROUTE REVENUES-URBAN  
FOR THE YEAR ENDED JUNE 30, 2014

	ADA Paratransit		Shared Ride 65+		Shared Ride Under 65		Public Vanpool		Totals
			Standard	DAS	Standard	DAS			
<b>TRANSPORTATION REVENUES</b>									
Passenger Fares	\$ 63,474	\$ -	\$ 96,543	\$ -	\$ 6,379	\$ -	\$ -	\$ -	\$ 166,396
Advertising	-	-	-	-	-	-	-	-	-
Shared-Ride Lottery Trip Reimbursement	-	-	626,617	-	-	-	-	-	626,617
PwD Trip Reimbursement	-	-	-	-	35,951	-	-	-	35,951
AAA	-	-	14,117	-	-	-	-	-	14,117
MH/MR - Shared Ride Fare Structure	-	-	28,196	-	203,239	-	-	-	231,435
W2W - Shared Ride Fare Structure	-	-	-	-	-	-	-	-	-
MATP - Shared-Ride Fare Structure	-	-	-	-	975,670	-	-	-	975,670
Children & Youth	-	-	-	-	38,570	-	-	-	38,570
HSDF	-	-	-	-	5,809	-	-	-	5,809
<b>OTHER REVENUE</b>									
User Agencies	-	-	574	-	923,356	-	-	-	923,930
MATP Aide Reimbursements	-	-	-	-	18,263	-	-	-	18,263
Interest and Miscellaneous	-	-	36,550	-	-	-	-	-	36,550
<b>TOTAL REVENUE</b>	<b>\$ 63,474</b>	<b>\$ -</b>	<b>\$ 802,597</b>	<b>\$ -</b>	<b>\$ 2,207,237</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,073,308</b>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES  
LEG - NON PUBLIC REVENUES - OTHER TRANSPORTATION  
FOR THE YEAR ENDED JUNE 30, 2014

CONTRACT REVENUE - NON-SHARED RIDE PARATRANSIT

Agency/Sponsor		
MATP - Contract Rate Paratransit Revenue	\$	296,527
W2W - Contract Rate Paratransit Revenue		-
Other Contract Rate Paratransit Revenue		
Child Development Council		11,407
Volunteers of America		5,280
CCS Psych Rehab		25,586
Other Revenue		
MATP - Mileage Reimbursement		53,505
W2W - Other		-
Admin Reimbursement		-
		<hr/>
TOTAL		392,305
Non-Applied Reconciling Items		-
		<hr/>
TOTAL REVENUE	\$	<u>392,305</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES  
LEG - FIXED ROUTE SUBSIDIES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
<b>FEDERAL</b>			
Federal Operating Grant	\$ -	\$ -	\$ -
Federal Capital Grant to Fund Preventative Maintenance Costs	1,783,852	-	1,783,852
Federal Capital Grant to Fund Capital Costs of Contracting	-	-	-
Federal Capital Grant to Fund Associated Capital Maintenance Costs	29,158	-	29,158
Other Federal Grants for Operating Costs	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Federal Subsidy	<u>1,813,010</u>	<u>-</u>	<u>1,813,010</u>
<b>STATE</b>			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years- State Share	2,064,084	-	2,064,084
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	2,469,699	-	2,469,699
Act 3 ASG Grant Amount Charged - State Share	-	-	-
Act 3 BSG Grant Amount Charged - State Share	-	-	-
Special Operating Grants - State Share	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal State Subsidy	<u>4,533,783</u>	<u>-</u>	<u>4,533,783</u>
<b>LOCAL</b>			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - Local Share - Municipal Source	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Municipal Source	482,106	-	482,106
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Advertising Source	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Private Source	-	-	-
Act 3 ASG Grant Amount Charged - Local Share	-	-	-
Act 3 BSG Grant Amount Charged - Local Share	-	-	-
Special Operating Grants - Local Share	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal State Subsidy	<u>482,106</u>	<u>-</u>	<u>482,106</u>
Grand Total Subsidy	<u>\$ 6,828,899</u>	<u>-</u>	<u>\$ 6,828,899</u>



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES  
LEG - NON-FIXED ROUTE SUBSIDIES  
FOR THE YEAR ENDED JUNE 30, 2014

SUBSIDY	ADA	Shared Ride		Public	Total
	Paratransit	Standard	DAS	Vanpool	
Federal Operating Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Capital Grant to Fund Preventive Maintenance Costs	-	-	-	-	-
Federal Capital Grant to Fund Capital Costs of Contracting	235,076	-	-	-	235,076
Federal Capital Grant to Fund Associated Capital Maintenance Costs	-	-	-	-	-
Other Federal Grants for Operating Costs	-	-	-	-	-
Federal Shared-Ride Subsidy	-	-	-	-	-
<b>SUBTOTAL FEDERAL SUBSIDY</b>	<b>235,076</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235,076</b>
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - State Share	-	-	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	53,613	-	-	-	53,613
Act 3 ASG Grant Amount Charged - State Share	-	-	-	-	-
Act 3 BSG Grant Amount Charged - State Share	-	-	-	-	-
Special Operating Grants - State Share	-	88,231	-	-	88,231
State Shared-Ride Subsidy	-	-	-	-	-
<b>SUBTOTAL STATE SUBSIDY</b>	<b>53,613</b>	<b>88,231</b>	<b>-</b>	<b>-</b>	<b>141,844</b>
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - Local Share - Municipal Source	-	-	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Municipal Source	5,156	-	-	-	5,156
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Advertising Source	-	-	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Private Source	-	-	-	-	-
Act 3 ASG Grant Amount Charged - Local Share	-	-	-	-	-
Act 3 BSG Grant Amount Charged - Local Share	-	-	-	-	-
Special Operating Grants - Local Share	-	-	-	-	-
Local Shared-Ride Revenue	-	-	-	-	-
<b>SUBTOTAL LOCAL SUBSIDY</b>	<b>5,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,156</b>
<b>GRAND TOTAL SUBSIDY</b>	<b>\$ 293,845</b>	<b>\$ 88,231</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 382,076</b>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES  
LEG - BUDGET SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2014

	Fixed Route				Non-Fixed Route								Non-Public			
	ADA Paratransit		Shared Ride		Standard		DAS		Standard		DAS		Public Vanpool		Other Transportation	Total
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural		
Total Operating Expenses	\$ 8,047,592	\$ -	\$ 357,319	\$ -	\$ 3,316,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,032	\$ 12,070,988
Total Revenue	1,218,693	-	63,474	-	3,009,834	-	-	-	-	-	-	-	-	392,305	4,684,306	
Operating Deficit	(6,828,899)	-	(293,845)	-	(306,211)	-	-	-	-	-	-	-	-	42,273	(7,386,682)	
Total Subsidy	6,828,899	-	293,845	-	88,231	-	-	-	-	-	-	-	-	-	7,210,975	
Applied Operating Result	-	-	-	-	(217,980)	-	-	-	-	-	-	-	-	42,273	(175,707)	
Non-Applied Reconciling Items																
Total Non-Applied Reconciling Expense Items	(1,687,518)	-	-	-	(352,142)	-	-	-	-	-	-	-	-	-	-	(2,039,660)
Total Non-Applied Reconciling Income Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Applied Reconciling Subsidy Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Results per Audit	\$ (1,687,518)	\$ -	\$ -	\$ -	\$ (570,122)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,273	\$ (2,215,367)	

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 GRANT FUNDING  
 COMMONWEALTH OF PENNSYLVANIA  
 SCHEDULE S1 - LOCAL MATCH PROVIDED  
 FOR THE YEAR ENDED JUNE 30, 2014

<u>Contributor Name</u>	<u>Date of Final Payment</u>	<u>Total Amount Provided</u>
Act 44 Section 1513 Local Match for Operating Funds:		
Luzerne County	4/2/2014	\$ 242,673
Unassigned Local Match Funding:		
Luzerne County	1/2/2014	<u>48,711</u>
GRAND TOTAL		<u>\$ 291,383</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 GRANT FUNDING  
 COMMONWEALTH OF PENNSYLVANIA  
 SCHEDULE S2 - LOCAL MATCH CARRYOVER  
 FOR THE YEAR ENDED JUNE 30, 2014

A.	Local Match funds available as of 6/30/13	\$ 398,823
B.	Local match funds provided during the year ended 6/30/14	<u>291,383</u>
C.	Local match operating expenditures for year ended 6-30-14	
	a. Act 44 Sec. 1513 Local operating grant charged (prior years) - Municipal Source	-
	b. Act 44 Sec. 1513 Local operating grant charged (current year) - Municipal Source	487,263
	c. Act 44 Sec. 1513 Local operating grant charged (current year) - Advertising Source	
	d. Act 44 Sec. 1513 Local operating grant charged (current year) - Private Source	
	e. Act 3 BSG Local operating grant charged (previous years)	
	f. Act 3 ASG Local operating charged (previous years - RURAL ONLY)	
	g. Other operating expenditures (if any)	
	Matched Program:	
	h. Other operating expenditures (if any)	
	Matched Program:	
	i. Other operating expenditures (if any)	
	Matched Program:	<u>-</u>
D.	Total local match operating expenditures for year ended 6/30/14 (Sum of C.a. through C.i.)	<u>487,263</u>
E.	Local match capital expenditures for year-ended 6/30/14	
	a. Section 1514 Discretionary local match capital expenditures (if any)	
	b. Section 1514 Bond local match capital expenditures (if any)	
	c. Section 1515 - New initiatives capital expenditures (if any)	
	d. Section 1516 - Programs of statewide significance capital expenditures (if any)	
	e. PTAF local match capital expenditures (previous years' funds)	4,232
	f. PTAF local match capital expenditures (current year funds)	
	g. Act 3 BSG Local capital grant charged (previous years)	
	h. Act 3 ASG Local capital grant charged (previous years)	
	i. Other local match capital expenditures (if any)	
	Matched Program: Technical Assistance Grants	
	j. Other local match capital expenditures (if any)	
	Matched Program: Excess capital grant expenditures	
	k. Other local match capital expenditures (if any)	
	Matched Program:	<u>-</u>
F.	Total local match capital expenditures for year ended 6/30/14 (Sum of E.a. through E.k.)	<u>4,232</u>
G.	Interest Earned on local funds for year ended 6/30/14	<u>4,411</u>
H.	Local match funds available as of 6/30/14 (A+B-D-F+G)	<u>\$ 203,122</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 GRANT FUNDING  
 COMMONWEALTH OF PENNSYLVANIA  
 SCHEDULE S3 - URBAN PTAF/BSG/ASG CARRYOVER  
 FOR THE YEAR ENDED JUNE 30, 2014

	ACT 26		ACT 3	
	PTAF	LOCAL SHARE	BSG	ASG
Funds Available from Prior Years	\$ 240,886	\$ 208,418	\$ -	\$ -
Adjust County Funds to Contract Matching Requirement		(204,186)		
County Capital Matching Funds Provided		48,711		
Interest Income Earned for Year Ended June 30, 2014	2,708	-		
Total Funds Available for the Year Ended June 30 , 2014	243,594	52,943	-	-
<b>FUND EXPENDITURES</b>				
Used for Operating				
Used for Capital Assistance	(117,476)	(4,232)		
Total Funds Used in Year Ended June 30, 2014	(117,476)	(4,232)	-	-
 FUND BALANCE - June 30, 2014	 \$ 126,118	 \$ 48,711	 \$ -	 \$ -

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
 GRANT FUNDING  
 COMMONWEALTH OF PENNSYLVANIA  
 SCHEDULE S5 - URBAN SECTION 1513 PROGRAM CARRYOVER  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Section 1513 State Grant</u>	<u>Section 1513 Required Local Match</u>	<u>Total</u>
A. FY 2013-14 Section 1513 URBAN Grant Agreement	<u>\$ 5,046,634</u>	<u>\$ 485,345</u>	<u>\$ 5,531,979</u>
 URBAN SECTION 1513 GRANT UTILIZATION FOR FISCAL YEAR ENDED JUNE 30, 2014			
1. Section 1513 fund balance as of June 30, 2013	<u>\$ 7,690,043</u>	<u>\$ 79,250</u>	<u>\$ 7,769,293</u>
2. Section 1513 funds received for FY 2013-14	2,523,312	406,095	2,929,407
3. PTAf Section 1513 funds received for FY 2013-14	<u>-</u>	<u>-</u>	<u>-</u>
4. Total Section 1513 funds received for FY 2013-14 (Line 2+3, must agree with A above)	<u>2,523,312</u>	<u>406,095</u>	<u>2,929,407</u>
5. Interest Income earned on Section 1513 funds in FY 2013-14	<u>28,384</u>	<u>1,918</u>	<u>30,302</u>
6. Total Section 1513 funds available in FY 2013-14 (Line 1+4+5)	<u>10,241,739</u>	<u>487,263</u>	<u>10,729,002</u>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2013-14	4,587,396	487,263	5,074,659
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2013-14	-	-	-
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2013-14	-	-	-
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2013-14	-	-	-
11. Section 1513 funds used for Rural capital costs in FY 2013-14 (waiver required)	-	-	-
12. Section 1513 funds used for Urban capital costs in FY 2013-14 (waiver required)	<u>-</u>	<u>-</u>	<u>-</u>
13. Total Section 1513 funds used in FY 2013-14 (Line 7+8+9+10+11+12)	<u>4,587,396</u>	<u>487,263</u>	<u>5,074,659</u>
14. Section 1513 fund balance as of June 30, 2014 (Line 6 minus 13)	<u>\$ 5,654,343</u>	<u>\$ -</u>	<u>\$ 5,654,343</u>

INDEPENDENT AUDITORS' REPORT  
 ON APPLYING AGREED-UPON PROCEDURES

Board of Directors  
 Luzerne County Transportation Authority  
 315 Northampton Street  
 Kingston, Pennsylvania 18704

We have performed the procedures enumerated below, which, were agreed to by the Commonwealth of Pennsylvania; Department of Public Welfare (DPW) and Luzerne County Transportation Authority – Shared Ride Division solely to assist you with respect to the financial schedule and exhibit required by the DPW Single Audit Supplement. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the DPW. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are as follows:

- (a) We have verified by comparison of the amounts and classifications that the supplemental financial schedule listed below, which summarizes amounts reported to DPW for fiscal year ended June 30, 2014 has been accurately compiled and reflects the audited books and records of Luzerne County Transportation Authority – Shared Ride Division. We have also verified by comparison to the example schedule that this schedule is presented, at a minimum, at the level of detail and in the format required by the DPW Single Audit Supplement pertaining to this period.

<u>Program Name</u>	<u>Exhibit</u>	<u>Referenced Schedule/Exhibit</u>
Medical Assistance Transportation Program	I & II	Revenues and Expenditures

- (b) We have inquired of management regarding adjustments to reported revenues or expenditures, which were reflected on the reports submitted to DPW for the period in question.
- (c) The processes detailed in paragraphs (a) and (b) did not disclose any adjustments and/or findings which have not been reflected on the corresponding schedule.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Department of Public Welfare and should not be used by those who have not agreed to the procedures, and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

December 17, 2014

*Prociak & Associates, LLC*

PROCIAK & ASSOCIATES, L.L.C.  
Wilkes-Barre, Pennsylvania



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
EXHIBIT I - MEDICAL ASSISTANCE TRANSPORTATION PROGRAM  
SCHEDULE OF REVENUES AND EXPENDITURES - LUZERNE COUNTY

	Year Ended June 30, 2014	
	<u>Reported</u>	<u>Actual</u>
<b>SERVICE DATA</b>		
Expenditures:		
Group I clients	\$ 1,189,000	\$ 1,189,000
Group II clients	<u>102,362</u>	<u>102,362</u>
Total Expenditures	<u>\$ 1,291,362</u>	<u>\$ 1,291,362</u>
<b>ALLOCATION DATA</b>		
Revenues:		
Department of Public Welfare	\$ 1,291,123	\$ 1,291,123
Interest Income	<u>239</u>	<u>239</u>
Total Revenues	<u>\$ 1,291,362</u>	<u>\$ 1,291,362</u>
Funds Expended:		
Operating Costs	\$ 1,290,250	\$ 1,290,250
Administrative Costs	<u>1,112</u>	<u>1,112</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
EXHIBIT II - MEDICAL ASSISTANCE TRANSPORTATION PROGRAM  
SCHEDULE OF REVENUES AND EXPENDITURES - WYOMING COUNTY

Year Ended June 30, 2014

	<u>Reported</u>	<u>Actual</u>
<b>SERVICE DATA</b>		
Expenditures:		
Group I clients	\$ 53,001	\$ 53,001
Group II clients	<u>1,937</u>	<u>1,937</u>
Total Expenditures	<u>\$ 54,938</u>	<u>\$ 54,938</u>
 <b>ALLOCATION DATA</b>		
Revenues:		
Department of Public Welfare	\$ 54,924	\$ 54,924
Interest Income	<u>14</u>	<u>14</u>
Total Revenues	<u>\$ 54,938</u>	<u>\$ 54,938</u>
 Funds Expended:		
Operating Costs	\$ 54,773	\$ 54,773
Administrative Costs	<u>165</u>	<u>165</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

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

Board of Directors  
Luzerne County Transportation Authority  
315 Northampton Street  
Kingston, Pennsylvania 18704

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Luzerne County Transportation Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Luzerne County Transportation Authority's basic financial statements and have issued our report thereon dated December 17, 2014.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items IIA to IIF that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Luzerne County Transportation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* described in the accompanying schedule of findings and questioned costs as IIG.

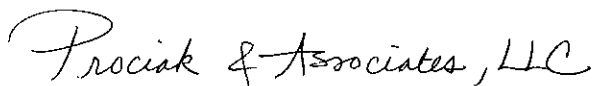
## **Luzerne County Transportation Authority's Response to Findings**

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

## **Purpose of this Report**

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

December 17, 2014



PROCIAK & ASSOCIATES, L.L.C.  
Wilkes-Barre, Pennsylvania

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors  
Luzerne County Transportation Authority  
315 Northampton Street  
Kingston, Pennsylvania 18704

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

We have audited Luzerne County Transportation Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Luzerne County Transportation Authority's major federal programs for the year ended June 30, 2014. Luzerne County Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Luzerne County Transportation Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Luzerne County Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Luzerne County Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Other Matters**

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item IIIG.

Luzerne County Transportation Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Luzerne County Transportation Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of Luzerne County Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Luzerne County Transportation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Luzerne County Transportation Authority's internal control over compliance.

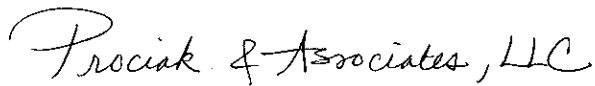
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items IIIA to IIIF that we consider to be significant deficiencies.

Luzerne County Transportation Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Luzerne County Transportation Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

December 17, 2014

A handwritten signature in cursive script that reads "Prociak & Associates, LLC".

PROCIAK & ASSOCIATES, L.L.C.  
Wilkes-Barre, Pennsylvania

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

Part I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of the Luzerne County Transportation Authority.
2. Six significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Luzerne County Transportation Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Six significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report On Compliance for Each Major Program and On Internal Control Over Compliance Required By OMB Circular A-133. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the Luzerne County Transportation Authority expresses an unmodified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The entire federal transit program is considered a major program; Federal Transit Capital Improvement Grants CFDA #20.507 and the Medical Assistance Program Grants CFDA #93.778.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Luzerne County Transportation Authority was determined not to be a low-risk auditee.

Part II. FINDINGS - FINANCIAL STATEMENT AUDIT

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

SIGNIFICANT DEFICIENCIES

IIA - Segregation of Duties

Statement of Condition: The Authority's internal control system lacks a segregation of duties.

Criteria: To maintain effective internal controls and safeguard assets, proper segregation of duties should be maintained in the accounting staff.



LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

Effect: The inadequate segregation of duties could result in an ineffective internal control system and could adversely affect the safeguarding of assets.

Recommendation: Internal control weaknesses such as this are not uncommon in smaller organizations where relatively few individuals are involved in the cash receipts and cash disbursements functions.

While it is advisable to have adequate segregation of duties among employees, you must weigh the costs against the possible benefits to be derived in determining the desirability of adding personnel or rearranging duties to more fully segregate duties and responsibilities. Considering the Authority's present operations, the costs of increasing the number of employees to more fully segregate the duties may greatly exceed the benefits derived from such a course of action. This weakness is mitigated by the Executive Director having very close supervision and control over the operations and financial transactions of the Authority.

Response: The Board has approved the hiring of two part time accounting clerks. They will be hired in January. I will be meeting with our controller in January to discuss the Accounting Department, including segregation of duties with the additional staff. The Executive Director will continue to closely monitor the financial operations of the Authority.

#### IIB - Budgeting

Statement of Condition: In reviewing the final budget for the year ended June 30, 2014 with related actual expenditures, various line item expenditures exceeded their related budgeted amounts.

Criteria: Budgeting is an essential element of financial planning and control. Annual operating budgets are the plans of current expenditures and the means of financing them.

Effect: Inadequate budgeting could result in ineffective control over expenditures.

Recommendation: Expenditures should be controlled through such budgetary processes as budgetary transfers under proper authorization of the board and that periodic reviews of the budget with related actual data take place. Such monitoring of expenditures and revenue will enhance the control and measurement objectives inherent with a budgetary system.

Response: Beginning with the 2015-16 fiscal year we will begin to have budget planning meetings which will include senior department heads who will have direct input into the budget of their department. Each department head will review expenditures and provide projections for the new budget. They will then be required to review the budget on a monthly basis. This additional oversight will result in a more accurate budget and better control over expenditures.

#### IIC - Inventories Not Adequately Safeguarded

Statement of Condition: Inventories are not adequately safeguarded against theft, loss, physical deterioration or misuse. Items are not kept in a locked enclosure, access to which is granted only to authorized personnel.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

Criteria: In order to prevent theft, loss, physical deterioration or misuse, inventories should be protected at all times.

Effect: Inventories which are not properly secured can result in theft, loss or misuse.

Recommendation: All inventories should be safeguarded in a locked storage area.

Response: Management is evaluating inventory storage and the space required.

#### IID - Inventory - Obsolete Items

Statement of Condition: The parts inventory listing includes obsolete items valued at their original cost rather than at the estimated market value.

Criteria: Obsolete inventory items should be valued at the lower of cost or market value.

Effect: Inventory is overstated by an amount not material to the financial statements.

Recommendation: We recommend management review the inventory listing and adjustments be made to write down obsolete items to their market value.

Response: Management will revise procedures to include reviewing the inventory listing of obsolete items on an annual basis. Adjustments to the market value of outdated items will be made to reflect their worth.

#### II E – Controls Over Inventory

Statement of Condition: A physical count of inventory items on hand was not performed at June 30, 2014. In addition, the perpetual inventory system was not accurately maintained.

Criteria: Strong internal controls over inventory include maintaining a perpetual inventory system along with an annual physical count of inventory items on hand.

Effect: Errors or misstatements may have occurred and would not have been detected on a timely basis. Furthermore, the inventory total reported in the financial statements may be misstated.

Recommendation: We recommend management review the inventory control procedures currently in place to evaluate the changes needed to strengthen controls over inventory and to ensure accurate financial reporting.

Response: Management will revise inventory control procedures and make necessary changes to ensure accurate reporting. Additional personnel may be added to strengthen controls over inventory.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

II F – Reconciliation of Bus Ticket Inventory to Cash Receipts

Statement of Condition: During the year ended June 30, 2014, the Authority began selling bus tickets at a new off-site location (Wilkes-Barre Intermodal Transportation Center). A monthly reconciliation of the ticket inventory to the cash receipts is not performed.

The Authority has reconciliation controls and procedures in place, however, the controls and procedures were not implemented for the new off-site location.

Criteria: A reconciliation of the location's ticket inventory to cash collected is the control procedures that would detect the misappropriation of ticket sales and cash receipts.

Effect: A ticket could be issued and cash not collected and deposited.

Recommendation: We recommend that reconciliation control procedures be implemented for all ticket sale locations.

Response: During the year ended June 30, 2014, reconciliation of ticket sales at the Intermodal is performed daily and monthly. An Excel spreadsheet was developed for Intermodal ticket sales to track each individual sale by ticket type by day, as well as a daily reconciliation spreadsheet. This spreadsheet was developed in conjunction with the Controller and was sent to him directly at month end.

In addition, for future ticket sales at the Intermodal, LCTA will track the ticket numbers sent to the Intermodal and verify the ticket numbers remaining at month end to facilitate reconciliation of the total Intermodal ticket inventory with the tickets sold and tickets remaining.

COMPLIANCE AND OTHER MATTERS

II G – Medical Assistance Program

Statement of Condition: Program eligibility applications and assessment forms were reviewed for sixty clients. The following exceptions were noted:

- Six applications could not be located.
- Sixteen applications did not document the mode of transportation provided.
- Eight applications, for which disability eligibility was determined, did not include supporting documentation for disability eligibility.
- Three applications were not properly completed with regard to disability eligibility.
- Sixteen applications had a mode of transportation that disagreed in whole or part with the information entered into the mobility system.
- The letters for medical service were not retained for nineteen trips selected for testing (these trips were prior to the elimination of this requirement).
- Four mileage reimbursement clients were reimbursed for a trip that did not have eligibility verification date and authorization.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

Criteria: Reimbursements under the program are provided for those clients who are properly registered for the shared ride program.

Effect: Insufficient registration documentation could possibly result in program ineligibility and the reimbursement for the transportation costs may have to be returned.

Recommendation: We recommend management review program registration procedures to ensure compliance with program requirements.

Response: Errors occurred under prior administration and staff. LCTA is aware of the issue and an experienced employee has now been put in that position. Additionally, LCTA is implementing random spot checks of client files for future compliance.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2014

Part III. SCHEDULE OF FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133 Section 510.

SIGNIFICANT DEFICIENCIES

IIIA - Segregation of Duties

As addressed in IIA, the Authority's internal control lacks segregation of duties.

IIIB - Budgeting

As addressed in IIB, various line item expenditures exceeded their related budgeted amounts.

IIIC - Inventories Not Adequately Safeguarded

As addressed in IIC, inventories are not adequately safeguarded against theft, loss, physical deterioration or misuse.

IIID - Inventory – Obsolete Items

As addressed in IID, obsolete items are valued at cost rather than their market value.

IIIE – Controls Over Inventory

As addressed in IIE, a physical inventory count of inventory on hand was not performed. In addition, the perpetual inventory system was not maintained.

IIIF – Reconciliation of Bus Ticket Inventory to Cash Receipts

As addressed in IIIF, a monthly reconciliation of the ticket inventory to the cash receipts is not performed for a new off-site location.

COMPLIANCE AND OTHER MATTERS

IIIG – Medical Assistance Program

As addressed in IIG, exceptions were noted during the review of eligibility applications and assessment forms.

LUZERNE COUNTY TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

June 30, 2013 Audit Report

IIA and IIIA

CONDITION: The Authority's internal system lacks a segregation of duties. This weakness is attributable to the size of the Authority's accounting staff.

STATUS: The same finding is noted in the June 30, 2014 audit report, IIA and IIIA.

IIB and IIIB

CONDITION: In reviewing the final budget for the year ended June 30, 2013 with related actual expenditures, various line item expenditures exceeded their related budgeted amounts.

STATUS: The same finding is noted in the June 30, 2014 audit report, IIB and IIIB.

IIC and IIIC

CONDITION: Inventories are not adequately safeguarded against theft, loss, physical deterioration or misuse. Items are not kept in a locked enclosure, access to which is granted only to authorized personnel.

STATUS: The same finding is noted in the June 30, 2014 audit report, IIC and IIIC.

IID and IIID

CONDITION: The parts inventory listing includes obsolete items valued at their original cost rather than at the estimated market value.

STATUS: The same finding is noted in the June 30, 2014 audit report, IID and IIID.

IIE and IIIE

CONDITION: A physical count of inventory items on hand was not performed at June 30, 2013. In addition, the perpetual inventory system was not maintained.

STATUS: The same finding is noted in the June 30, 2014 audit report, IIE and IIIE.