

LUZERNE COUNTY TRANSPORTATION AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

LUZERNE COUNTY TRANSPORTATION AUTHORITY
TABLE OF CONTENTS
JUNE 30, 2015

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management Discussion and Analysis	4 - 8
<u>Financial Statements</u>	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10 - 11
Statement of Cash Flows	12 - 13
Notes to Financial Statements	14 - 37
<u>Required Supplemental Information</u>	
Schedule of Changes in Authority's Net Pension Liability and Related Ratios – Defined Benefit Trust Fund – Union Employee's Pension Plan	38
Schedule of Employer Contributions and Notes to Schedule – Defined Benefit Trust Fund – Union Employee's Pension Plan	39
Schedule of Changes in Authority's Net Pension Liability and Related Ratios – Defined Benefit Trust Fund – Non-Union Employee's Pension Plan	40
Schedule of Employer Contributions and Notes to Schedule – Defined Benefit Trust Fund – Non-Union Employee's Pension Plan	41
<u>Supplemental Information</u>	
Schedule of Revenue and Expenses – Fixed Route Operations	42 - 45
Schedule of Revenue and Expenses – ADA Paratransit Operations	46
Schedule of Revenue and Expenses – Non Fixed Route Operations	47 - 49
Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards	51

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 TABLE OF CONTENTS (CONT'D)
 JUNE 30, 2015

	<u>Page</u>
Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards	52
Notes to Schedule of Expenditures of Pennsylvania Department of Public Welfare Awards	53
 <u>Supplemental Information - Report For Pennsylvania Department Of Transportation</u>	
Statements of Expenses, Revenues, Subsidies, and Budget - Commonwealth of Pennsylvania Legacy Budget 14-15 and Other Pennsylvania Schedules	54 – 63
Schedules of Grant Funding - Commonwealth of Pennsylvania - Local Match Provided and Carryover	64 - 65
Schedule of Grant Funding - Commonwealth of Pennsylvania - Urban PTAF/BSG/ASG Carryover	66
Schedule of Grant Funding - Commonwealth of Pennsylvania - Urban Section 1513 Program Carryover	67
 <u>Agreed-Upon Procedures Report</u>	
Independent Auditor's Report on Applying Agreed-Upon Procedures	68 - 69
Exhibit I – Medical Assistance Transportation Program – Schedule of Revenues and Expenditures – Luzerne County	70
 <u>Single Audit Reports</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 <i>Government Auditing Standards</i> and the Audit Requirements of the Pennsylvania Department of Transportation	71 – 72
Independent Auditor's Report On Compliance for Each Major Program and On Internal Control Over Compliance Required By OMB Circular A-133	73 - 75
Schedule of Findings and Questioned Costs	76 – 80
Summary Schedule of Prior Audit Findings	81

INDEPENDENT AUDITOR'S 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, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the Pennsylvania Department of Transportation. 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 opinion.

Basis for Qualified Opinion

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.

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, 2015, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

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, and the schedules relating to pensions on pages 38 - 41 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 42 - 49 and the supplemental schedules on pages 54 - 67 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 50 is

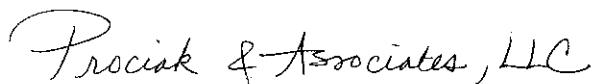
presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of Pennsylvania Department of Welfare Awards on page 52 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, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, 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* and Pennsylvania Department of Transportation

In accordance with *Government Auditing Standards*, and the audit requirements of the Pennsylvania Department of Transportation, we have also issued our report dated December 15, 2015, 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* and the audit requirements of the Pennsylvania Department of Transportation in considering Luzerne County Transportation Authority's internal control over financial reporting and compliance.

December 15, 2015



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

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015
(UNAUDITED)**

Introduction

The management of the Luzerne County Transportation Authority (LCTA or Authority) is pleased to present the following discussion and analysis of the Authority's financial activities for the fiscal, year ended June 30, 2015. The purpose of this discussion is to provide a narrative summary of the financial position and activities of the Authority in order to enhance the reader's understanding of the Authority's basic financial statements.

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 January 1, 2012, 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). Beginning June 1, 2014, Shared Ride no longer provided services to Wyoming County.

Authority Activities and Highlights

- The Authority's net position decreased by \$2,347,614. This was caused, in part, by depreciation, which is an expense that is not eligible for operating funding amounting to \$1,998,064.
- The Authority's operating revenues decreased from \$4,655,259 in 2014 to \$4,267,000 in 2015. This decrease of \$388,259 amounts to a 8.3% decrease in operating revenues. The decrease was almost entirely caused by decrease in Mental Health, Medical Assistance and other Contract programs operated by Shared Ride. This decrease was partly due to the elimination of the Wyoming County service area.
- Operating expenses increased from \$14,110,648 in 2014 to \$14,375,700 in 2015. The \$265,052 increase amounted to a 1.2% increase. Operating expenses of the Fixed Route Division increased by \$508,858 while the Shared Ride operating expenses decreased by \$246,191. The Fixed Route increase was caused by increases in salaries and employee benefit. The Shared Ride decrease was caused by a reduction of \$71,180 of expenses related to the consolidation of the Fixed and Shared Ride divisions and a reduction in fuel costs of \$56,666 due to less trips. Depreciation expense in the Shared Ride division also decreased approximately \$26,000.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

JUNE 30, 2015

(UNAUDITED)

- The Fixed Route Division had a net loss before capital funding of \$1,671,934 for the year ended June 30, 2015 after applying available subsidies of \$7,331,555. This net loss equals the amount of depreciation expense taken. This division received \$132,219 of capital grant funding.
- The Shared-Ride Division had a net loss before capital funding of \$809,800 for the year. This division received capital grant funding amounting to \$1,901 for the year.
- Pennsylvania Act 44 State Operating Assistance accounts for over 43% of the Authority's operating revenues. The Act 44 funding increased from \$4,587,396 in fiscal 2014 to \$5,072,736 in 2015. The Authority received only \$4,993,227 of actual grant money during fiscal 2015 rather than the grant agreement of \$5,149,086 due to a payback of prior years funding received in error by the overstatement of senior citizens ridership. The Authority was able to realize \$5,072,736 of Act 44 funding while only receiving \$4,993,227 by utilizing Act 44 funds received and not used in prior years.
- The Fixed Route Division carried approximately 1,083,761 passengers and recorded in excess of 1,070,000 vehicle miles during the year ended June 30, 2015.
- The Shared- Ride Division carried approximately 3,400 unduplicated passengers who took approximately 159,058 trips during the year ended June 30, 2015.

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 2015 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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015
(UNAUDITED)

- 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. The Authority's net position was \$9,211,615 as of June 30, 2015 compared to \$15,856,903 at June 30, 2014. This is a decrease of \$4,785,955 which includes a restatement of \$4,297,674 for the implementation of GASB Nos. 68.

A condensed summary of the Authority's statement of net position at June 30, 2015 and 2014 is presented below:

	2015	2014
Current and Other Assets	\$ 7,723,906	\$ 7,968,389
Capital Assets, Net	13,463,714	15,323,047
TOTAL ASSETS	\$ 21,187,620	\$ 23,291,436
Deferred Outflows of Resources	\$ 176,180	\$ -
Current and Other Liabilities	\$ 5,046,626	\$ 7,434,533
Deferred Inflows of Resources	\$ -	\$ -
Net Position		
Invested in Capital Assets	\$ 13,463,714	\$ 15,323,047
Unrestricted	(4,252,099)	533,856
TOTAL NET POSITION	\$ 9,211,615	\$ 15,856,903

The largest portion of the Authority's net position at June 30, 2015 was its investment in capital assets (land, buildings, revenue vehicles, equipment). This totaled \$13,463,714 or 64% 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.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015
(UNAUDITED)**

Other large components of assets and liabilities are as follows. Cash totals \$5,363,831 (or 58% of net position), of which \$5,215,083 is restricted by the Commonwealth of Pennsylvania to be utilized only for future purchases of capital assets and operating funding. Large liabilities include \$5,670,297 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) \$147,523 which represents the fiscal year June 30, 2015 Commonwealth of Pennsylvania Act 44 funding for HPTS that is passed through the LCTA to the HPTS.

Changes in net position. A comparative condensed summary of the Authority's statement of revenues, expenses and changes in net position for the year ended June 30, 2015 and 2014 is presented below:

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Passenger Revenues	\$ 1,245,486	\$ 1,289,203
Government Fare Programs	1,949,918	2,198,580
Other Operating Revenues	1,071,596	1,159,985
TOTAL OPERATING REVENUES	4,267,000	4,647,768
OPERATING EXPENSES		
Salaries and Wages	5,023,818	4,801,653
Fringe Benefits	3,960,534	3,811,650
Material and Supplies	1,746,856	1,852,480
Purchased Transportation	707,642	732,248
Depreciation	1,998,064	2,039,660
Other Operating Expenses	938,786	865,466
TOTAL OPERATING EXPENSES	14,375,700	14,103,157
NON-OPERATING REVENUES		
Operating and Planning Grants		
Federal	2,041,083	2,048,086
Commonwealth of Pennsylvania	5,074,637	4,675,627
Luzerne County	513,147	487,263
Gain on Sale of Capital Assets	-	29,046
TOTAL NON-OPERATING REVENUE	7,628,867	7,240,022
CAPITAL GRANT FUNDING		
Federal	37,011	131,334
Commonwealth of Pennsylvania	91,795	145,124
Luzerne County	3,413	4,232
TOTAL CAPITAL GRANT FUNDING	132,219	280,690
DECREASE IN NET POSITION	\$ (2,347,614)	\$ (1,934,677)

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2015
(UNAUDITED)**

2015 Passenger revenues accounted for 29% of operating revenues and government fare programs accounted for 46%. Overall government operating, planning and capital grants accounted for 64% of all the Authority's revenues.

The Authority's major expenses are wages and fringe benefits. These account for 62% 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, 2015 and 2014, stated at cost, is as follows:

	<u>2015</u>	<u>2014</u>
Revenue Vehicles	\$ 17,597,744	\$ 18,093,592
Service Vehicles	389,480	389,480
Shelters and Bus Stop Signs	154,796	154,796
Buildings	7,074,677	7,072,178
Shop and Garage Equipment	545,148	556,985
Radios	105,834	105,834
Fareboxes	658,045	658,045
Destination Signs	759,204	668,384
Computer Equipment	157,991	173,797
Office Equipment	47,840	54,516
Land	<u>132,716</u>	<u>132,716</u>
 TOTAL CAPITAL ASSETS - AT COST	 <u>\$ 27,623,475</u>	 <u>\$ 28,060,323</u>

During the year ended June 30, 2015, the Authority purchased \$138,731 of capital assets while selling or retiring assets, after the end of their useful lives, with a total cost basis of \$575,578.

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 operating revenue was 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, 2015

ASSETS

CURRENT ASSETS

Cash	\$	148,748
Restricted Cash - Act 26		48,772
Restricted Cash - State Section 1513		5,166,311
Accounts Receivable - Trade		515,808
Capital Assistance Grants Receivable		1,018,411
Miscellaneous Receivables		12,960
Inventories		309,195
Receivable - Payroll Taxes		58,466
Prepaid Insurance		<u>445,235</u>

TOTAL CURRENT ASSETS 7,723,906

CAPITAL ASSETS

Capital assets not being depreciated		132,716
Capital assets being depreciated		<u>27,490,759</u>
		27,623,475
Less: Accumulated Depreciation		<u>14,159,761</u>

TOTAL CAPITAL ASSETS 13,463,714

TOTAL ASSETS \$ 21,187,620

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions 176,180

LIABILITIES

CURRENT LIABILITIES

Accounts Payable		
Trade	\$	406,199
Commonwealth of Pennsylvania Medical Assistance Program		124,110
Commonwealth of Pennsylvania Senior Citizens Program		33,640
Accrued Salaries and Wages		333,684
Accrued Payroll Taxes and Employee Funds Withheld		31,895
Accrued Pension		209,769
Due to Hazleton Public Transit System		147,523
Unearned Revenue		
Penn DOT Act 26 Capital		35,213
Penn DOT - Act 44		5,591,525
Luzerne County Act 26 Match		13,559
Luzerne County Unassigned		30,000
Unredeemed Fares		<u>148,442</u>

TOTAL CURRENT LIABILITIES 7,105,559

LONG-TERM LIABILITIES

Deferred Pension Liability		4,550,340
Accrued Compensated Absences		<u>496,286</u>

TOTAL LIABILITIES 12,152,185

NET POSITION

NET INVESTED IN CAPITAL ASSETS 13,463,714
UNRESTRICTED (4,252,099)

TOTAL NET POSITION \$ 9,211,615

See notes to financial statements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES

Passenger fares	\$ 1,245,486
State lottery Shared Ride Program	600,291
State Persons with Disabilities Program	26,917
Area Agency on Aging	12,802
Mental Health/Intellectual & Development Disabilities	187,376
Medical Assistance Transportation Program	1,122,532
Other contract revenue	908,785
Advertising income	56,258
Miscellaneous income	<u>106,553</u>

TOTAL OPERATING REVENUES 4,267,000

OPERATING EXPENSES

Operators salaries and wages	3,221,257
Other salaries and wages	1,802,561
Fringe benefits	3,960,534
Services	355,170
Fuel and lubricants	1,179,829
Tires and tubes	98,855
Other materials and supplies	469,160
Utilities	144,894
Casualty and liability costs	320,899
Taxes	-
Purchased transportation	707,642
Miscellaneous expenses	47,313
Consolidation project expenses	17,051
Mileage reimbursements	52,471
Depreciation	<u>1,998,064</u>

TOTAL OPERATING EXPENSES 14,375,700

LOSS FROM OPERATIONS (10,108,700)

NON-OPERATING REVENUES (EXPENSES)

Capital funds used for operating assistance and planning grants:	
Federal government	2,041,083
Commonwealth of Pennsylvania Act 44	53,760
Luzerne County Act 44 matching funds	5,322

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating grants:	
Commonwealth of Pennsylvania Act 44	5,018,976
Commonwealth of Pennsylvania Technical Assistance Grant	1,901
Luzerne County Act 44 matching funds	<u>507,825</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	<u>7,628,867</u>
Other public/private sources:	
Gain on sale of capital assets	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,628,867</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(2,479,833)</u>
CAPITAL GRANT FUNDING	
Federal	37,011
Commonwealth of Pennsylvania Act 44 Capital	764
Commonwealth of Pennsylvania Act 26	91,031
Commonwealth of Pennsylvania 1516 PWD	-
Commonwealth of Pennsylvania 1516 CTC	-
Luzerne County	<u>3,413</u>
TOTAL CAPITAL GRANT FUNDING	<u>132,219</u>
CHANGE IN NET POSITION	(2,347,614)
NET POSITION - BEGINNING OF YEAR	15,856,903
Restatement for Adoption of New Pension Standards	<u>(4,297,674)</u>
NET POSITION - BEGINNING OF YEAR - AS RESTATED	<u>11,559,229</u>
NET POSITION - END OF YEAR	<u>\$ 9,211,615</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,132,064
Cash payments to suppliers for goods and services	(3,148,044)
Cash payments to employees for services	(8,859,267)
Other operating cash receipts	<u>100,597</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(7,774,650)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts of operating grants for other governmental entities	145,456
Receipts from operating grants	<u>7,471,650</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>7,617,106</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from capital grants	68,816
Proceeds from sale of equipment	-
Purchase of capital assets	<u>(138,731)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(69,915)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>
NET DECREASE IN CASH	(227,459)
CASH - JULY 1, 2014	<u>5,591,290</u>
CASH - JUNE 30, 2015	<u>\$ 5,363,831</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (10,108,700)</u>
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:	
Depreciation	1,998,064
Deferred outflows of resources	(176,180)
Changes in assets and liabilities:	
Accounts receivable	(39,311)
Miscellaneous receivables	(5,956)
Inventories	(6,053)
Prepaid insurance	34,144
Receivable - payroll taxes	(58,466)
Accounts payable	217,149
Accrued salaries and wages	56,762
Accrued payroll taxes and employee funds	4,245
Accrued pension	70,509
Unredeemed fares	10,928
Deferred pension liability	252,666
Accrued compensated absences	<u>(24,451)</u>
 TOTAL ADJUSTMENTS	 <u>2,334,050</u>
 NET CASH USED FOR OPERATING ACTIVITIES	 <u>\$ (7,774,650)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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, and lease contracts 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 County 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, 2015

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

GASB 72 Fair Value Measurement and Valuation

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

Effective for financial statements for fiscal years beginning after June 15, 2015. The Authority has not evaluated the effect this statement will have on its financial statements.

GASB 73 Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The Authority has not evaluated the effect this statement will have on its financial statements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

GASB 74 Financial Reporting for Postemployment Benefits Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

Effective for financial statements for fiscal years beginning after June 15, 2016.
The Authority has not evaluated the effect this statement will have on its financial statements.

GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit*

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

Effective for financial statements for fiscal years beginning after June 15, 2017.
The Authority has not evaluated the effect this statement will have on its financial statements.

GASB 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP" hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Effective for financial statements for periods beginning after June 15, 2015.
The Authority has not evaluated the effect this statement will have on its financial statements.

GASB 77 Tax Abatement Disclosures

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Effective for financial statements for periods beginning after December 31, 2015.
The Authority has not evaluated the effect this statement will have 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 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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

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:

<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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

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.
- 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. Restatement of Net Position – Adoption of New Accounting Standards

June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revised existing standards of financial reporting by state and local government pension plans and was adopted by the pension plan itself. Statement 68 affects the governments that participate as

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

employers in these plans and was effective for fiscal years beginning after June 15, 2014. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement - determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with defined benefit pension plans and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions.

The adoption of Statement 68 resulted in a restatement of beginning net position to record the calculated liability to the pension plans as of July 1, 2014 as follows:

Net Position – Unrestricted as Previously Reported	\$ 533,856
Implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, <i>Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27</i>	(4,297,674)
Net Position – Unrestricted as Restated	<u>\$(3,763,818)</u>

N. Subsequent Events

The Authority has evaluated subsequent events through December 15, 2015, 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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

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.

As of June 30, 2015, the carrying amounts of the Authority's cash balances were \$5,363,831, and the bank balances were \$5,528,527, of which \$5,278,527 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, 2015.

As of June 30, 2015, the Authority had no investments.

NOTE 5: RESTRICTED CASH

Cash in the amount of \$48,772 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 \$5,166,311 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, 2015, the following amounts are due on capital project grants:

Federal government	\$1,016,447
Commonwealth of Pennsylvania	<u>1,964</u>
Total	<u>\$1,018,411</u>

NOTE 7: INVENTORIES

Components of inventory as of June 30, 2015 are as follows:

Parts	\$ 287,040
Fuel	<u>22,155</u>
Total	<u>\$ 309,195</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 8: CAPITAL ASSETS

The components of fixed assets as of June 30, 2015 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	17,559,835	9,794,573	7,765,262
Service Vehicles	246,295	246,295	-
Shelters and Bus Stop Signs	154,796	154,796	-
Structures and Improvements	7,074,677	2,597,606	4,477,071
Installed Equipment	353,876	291,167	62,709
Shop and Garage Equipment	334,457	192,697	141,760
Radios	75,125	51,729	23,397
Fareboxes	658,045	484,136	173,909
Office Equipment	47,840	33,651	14,189
Computer Equipment	226,609	189,210	37,399
Signs and Enunciator	759,204	123,902	635,302
Total capital assets being depreciated, net	<u>\$ 27,490,759</u>	<u>\$ 14,159,761</u>	<u>\$ 13,330,998</u>
Total capital assets, net	<u>\$ 27,623,475</u>	<u>\$ 14,159,761</u>	<u>\$ 13,463,714</u>

Total depreciation for the year ended June 30, 2015 was \$1,998,063.

The following schedule summarizes the change in the fixed assets:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Property and Equipment	\$ 28,060,321	\$ 138,732	\$ (575,578)	\$ 27,623,475
Accumulated Depreciation	<u>(12,737,276)</u>	<u>(1,998,063)</u>	<u>575,578</u>	<u>(14,159,761)</u>
Total	<u>\$ 15,323,045</u>	<u>\$ (1,859,331)</u>	<u>\$ -0-</u>	<u>\$ 13,463,714</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. Medical transportation services were provided according to the fee-for-service fare structure. MATP funding remaining at June 30, 2015 was included in Accounts Payable – Medical Assistance Program as follows:

Luzerne County \$124,110

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 10: DUE TO HAZLETON PUBLIC TRANSIT SYSTEM

As part of the Penn DOT Consolidation Plan, funding for the fiscal year ended June 30, 2015 included combined funding for the Luzerne County Transportation Authority, Shared Ride program, and the Hazleton Public Transit System. The Authority remits the funding to the Hazleton Public Transit System upon receipt. The amount due to Hazleton Transit Authority as of June 30, 2015 was \$147,523.

NOTE 11: DEFERRED REVENUE - PENN DOT AND LUZERNE COUNTY

As of June 30, 2015, 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 \$125 and was also deferred. Act 26 Funding utilized for capital expenditures during the year was \$91,031. This resulted in a deferred revenue as of June 30, 2015 in the amount of \$35,212.

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 \$5,654,343. The amount received during the fiscal year ended June 30, 2015 was \$4,993,227. Interest earned amounted to \$16,692 and was also deferred. Funding utilized for asset maintenance and operating assistance amounted to \$5,072,736. This resulted in deferred revenue as of June 30, 2015 in the amount of \$5,591,526.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, the amounts were as follows:

S.T.E.P. Program	\$ 37,277
PWD Program	6,553
Lottery Program	<u>104,612</u>
	<u>\$ 148,442</u>

NOTE 15: COMPENSATED ABSENCES

The personnel policies and collective bargaining agreements of the Authority provide that compensation for vacations, sick leave, and personal leave for full time employees will accrue in accordance with such agreements. The total amount accrued as of June 30, 2015 is \$496,286. The Authority considers approximately ten percent of these liabilities current and due within one year.

NOTE 16: PENSION PLAN

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

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, 2015 was \$127,943.

Defined Benefit Plan – Union Employee’s Pension Plan (Fixed Route)

The Luzerne County Transportation Authority Union Employee’s Pension Plan is a defined benefit single employer retirement plan administered by the Authority.

Eligibility

A full-time employee of the Authority covered under the collective bargaining agreement becomes a member in the Plan after completion of 60 days of service.

Normal Retirement

A member is eligible for normal retirement after attainment of age 62 and completion of five years of service.

The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon the member's death.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

The amount of monthly pension is equal to \$29.04 per month per year of credited service earned after December 31, 1991, plus the member's accrued benefit earned for credited service prior to January 1, 1992.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Early Retirement

A member is eligible for early retirement after attainment of age 55. The monthly early retirement pension is equal to the benefit accrued to the date of early retirement, reduced by 5/9 of 1 % for each of the first 60 months payments begin early and by 5/18 of 1% for each of the next 24 months payments begin early.

Disability Retirement

If an active member is determined to be totally and permanently disabled, he is eligible for a disability pension. The monthly disability retirement pension is equal to the benefit accrued to the date of disability.

Death Benefits

The monthly death benefit for a member who is vested and has been married at least one year, is a survivor pension for his spouse equal to the actuarially reduced benefit accrued to the date of death. Payments begin at the member's earliest retirement date.

Vesting

A member's benefits vest upon completion of five years of service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is determined by the normal retirement benefit formula, but based upon service to date.

Contributions

Members contribute 3.2% of the average of all full-time LCTA union employees' compensation. Member contributions are credited with 5.0% annual interest.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

Plan Membership at December 31, 2014

Inactive Members or Beneficiaries Currently Receiving Benefits	56
Inactive Members Entitled to but not yet Receiving Benefits	0
Active Members	<u>65</u> *
Total Members	<u>121</u>

* Includes 1 Transferred Member

Net Pension Liability

The net pension liability was measured as of December 31, 2014. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability as of January 1, 2013 was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	4.00%	(average, including inflation)
Investment Rate of Return	8.50%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The total pension liability as of December 31, 2014 was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	4.00%	(average, including inflation)
Investment Rate of Return	8.50%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	60.00%	6.50% - 7.50%
Fixed Income	35.00%	2.00% - 3.00%
Cash	5.00%	0.00% - 0.50%

Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		Net Pension Liability (a) – (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at 12/31/2013	\$ 5,576,090	¹ \$ 2,584,406	\$ 2,991,684
Service Cost	85,627		85,627
Interest Cost	463,780		463,780
Changes in Benefit Terms	-0-		-0-
Changes for Experience	(209,751)		(209,751)
Changes of Assumptions	-0-		-0-
Contributions – employer		158,841	(158,841)
Contributions – member		97,930	(97,930)
Net Investment Income		46,564	(46,564)
Benefit Payments, including refunds of member contributions	(410,961)	(410,961)	-0-
Administrative Expense		(10,900)	10,900
Other Changes		-0-	-0-
Net Changes	(71,305)	(118,526)	47,221
Balances at 12/31/2014	<u>\$ 5,504,785</u>	<u>\$ 2,465,880</u>	<u>\$ 3,038,905</u>

¹ Total pension liability at 1/1/2013 (5,446,594) plus service cost (82,334) plus interest cost (452,723) minus benefit payments (405,561).

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 8.5%, as well as what the Plan's net position liability would be if it were calculated using a discount rate that is 1 percentage point lower of 1 percentage rate higher than the current rate:

	1% Decrease (7.50%)	Current Discount Rate (8.50%)	1% Increase (9.50%)
Plan's Net Pension Liability	\$ 3,466,893	\$ 3,038,905	\$ 2,662,747

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, the Authority recognized pension expense of \$256,845.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -0-	\$ 174,792
Net difference between projected and actual earnings on pension plan investments	<u>132,875</u>	<u>-0-</u>
Total	<u>\$ 132,875</u>	<u>\$ 174,792</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30, 2016	\$ (1,739)
2017	(1,739)
2018	(1,739)
2019	(1,739)
2020	(34,958)

In the table shown above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the Authority reported a payable of \$61,056 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Financial Report

The financial report for the Defined Benefit Plan can be obtained from the administration office at 315 Northampton Street, Kingston, PA 18704.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Defined Benefit Plan – Non-Union Employee’s Pension Plan

The Luzerne County Transportation Authority Non-Union Employee’s Pension Plan is a defined benefit single employer retirement plan administered by the Authority.

Eligibility

A full time employee of the Luzerne County Transportation Authority who is not covered under the collective bargaining agreement becomes a member in the Plan on his date of employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 65.

The normal retirement pension is payable monthly during the member’s lifetime, with payments ceasing upon death.

The amount of monthly pension is equal to 2.5% of average monthly compensation multiplied by years of credited service. The minimum monthly pension is equal to \$8 multiplied by years of credited service.

Average monthly compensation is based upon the three consecutive plan years of highest compensation out of the last ten years preceding retirement.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Early Retirement

A member is eligible for early retirement after attainment of age 55 and completion of ten years of service. The early retirement benefit is equal to the benefit accrued to the date of early retirement, reduced by 1/15 for each of the first two years payments begin before age 62 and by 1/30 for each of the next five years payments begin early.

Disability Retirement

If an active member is determined to be totally and permanently disabled, he is eligible for a disability pension. The monthly disability retirement pension is equal to the benefit accrued to the date of disability.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

Death Benefits

If a vested member dies before beginning to receive a retirement pension benefit, his surviving spouse, if any, will receive a 100% survivor benefit. Payment will begin on the date on which the member first would have been eligible for retirement. The amount of the survivor benefit is equal to the 100% survivor benefit payable under the joint and 100% survivor pension option, based upon the pension accrued to the date of death and reduced for early commencement of benefits, if applicable.

Vesting

A member's benefits vest according to the vesting schedule shown below. The vested benefit is a deferred monthly pension beginning at early or normal retirement equal to the accrued pension multiplied by the vesting percentage determined from the following table:

<u>Years of Service</u>	<u>Vesting Percentage</u>
0-3 Years	0%
4	40%
5 or More Years	100%

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the normal retirement benefit formula, but based upon compensation and service to date.

Contributions

Members contribute 3.0% of compensation.

Member contributions are credited with 8.0% annual interest.

Plan Membership at December 31, 2014

Inactive Members or Beneficiaries Currently Receiving Benefits	14
Inactive Members Entitled to but not yet Receiving Benefits	7
Active Members	<u>25</u>
Total Members	<u>46</u>

Net Pension Liability

The net pension liability was measured as of December 31, 2014. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

Actuarial Assumptions

The total pension liability as of January 1, 2013 was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	8.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The total pension liability as of December 31, 2014 was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.00%	(average, including inflation)
Investment Rate of Return	8.00%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	55.00%	6.50% - 7.50%
Fixed Income	35.00%	2.00% - 3.00%
Cash	10.00%	0.00% - 0.50%

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		Net Pension Liability (a) – (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at 12/31/2013	\$ 2,414,301	¹ \$ 1,108,311	\$ 1,305,990
Service Cost	95,531		95,531
Interest Cost	193,347		193,347
Changes in Benefit Terms	-0-		-0-
Changes for Experience	178,350		178,350
Changes of Assumptions	-0-		-0-
Contributions – employer		210,835	(210,835)
Contributions – member		33,339	(33,339)
Net Investment Income		18,959	(18,959)
Benefit Payments, including refunds of member contributions	(186,009)	(186,009)	-0-
Administrative Expense		(1,350)	1,350
Other Changes		-0-	-0-
Net Changes	281,219	75,774	205,445
Balances at 12/31/2014	<u>\$ 2,695,520</u>	<u>\$ 1,184,085</u>	<u>\$ 1,511,435</u>

¹ Total pension liability at 1/1/2013 (2,298,816) plus service cost (184,773) minus benefit payments (160,270).

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2015

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 8.00%, as well as what the Plan's net position liability would be if it were calculated using a discount rate that is 1 percentage point lower of 1 percentage rate higher than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability	\$ 1,726,771	\$ 1,511,435	\$ 1,264,971

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2015, the Authority recognized pension expense of \$198,183.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 160,515
Net difference between projected and actual earnings on pension plan investments	<u>57,582</u>
Total	<u>\$ 218,097</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30, 2016	\$ 32,231
2017	32,231
2018	32,231
2019	32,231
2020	17,835
2021	17,835
2022	17,835
2023	17,835
2024	17,835

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

In the table shown above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, the Authority reported a payable of \$148,713 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Financial Report

The financial report for the Defined Benefit Plan can be obtained from the administration office at 315 Northampton Street, Kingston, PA 18704.

NOTE 17: 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 18: 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
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN AUTHORITY'S
 NET PENSION LIABILITY AND RELATED RATIOS
 DEFINED BENEFIT PENSION TRUST FUND
 UNION EMPLOYEE'S PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

<u>Total pension liability</u>	
Service cost	\$ 85,627
Interest	463,780
Changes in benefit terms	-
Differences between actual and expected experience	(209,751)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(410,961)</u>
Net change in total pension liability	(71,305)
Total pension liability - beginning	<u>5,576,090</u>
Total pension liability - ending (a)	<u>5,504,785</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	158,841
Contributions - employee	97,930
Net investment income	46,564
Benefit payments, including refunds of employee contributions	(410,961)
Administrative expense	<u>(10,900)</u>
Net change in plan fiduciary net position	(118,526)
Plan fiduciary net position - beginning	<u>2,584,406</u>
Plan fiduciary net position - ending (b)	<u>2,465,880</u>
 Net pension liability (asset) - ending (a - b)	 <u>\$ 3,038,905</u>
 Plan fiduciary net position as a percentage of total pension liability	 44.80%
 Covered- employee payroll	 \$ 3,367,166
 Net pension liability (asset) as a percentage of covered - employee payroll	 90.25%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND NOTES TO SCHEDULE
 DEFINED BENEFIT TRUST FUND
 UNION EMPLOYEE'S PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Employer Contributions

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2005	\$ 85,000	\$ 85,000	\$ -		
2006	\$ 43,346	\$ 51,601	\$ (8,255)		
2007	\$ 38,582	\$ 77,197	\$ (38,615)		
2008	\$ 43,658	\$ 68,489	\$ (24,831)		
2009	\$ 20,504	\$ 74,467	\$ (53,963)		
2010	\$ 26,330	\$ 77,506	\$ (51,176)		
2011	\$ 115,950	\$ 115,950	\$ -		
2012	\$ 110,529	\$ 116,917	\$ (6,388)		
2013	\$ 157,515	\$ 162,783	\$ (5,268)		
2014	\$ 158,841	\$ 158,841	\$ -	\$ 3,367,166	4.72%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial Valuation Date: 1/1/2013
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level Dollar Closed
- Remaining Amortization Period: 14 years
- Asset Valuation Method: The actuarial value of assets from the prior valuation report (reduced for benefits paid and increased for contributions) is projected forward at an artificial investment return of 7.50% (interest rate assumption minus 1%) with a corridor of 80% to 120% of market value.
- Inflation: 3.00%
- Salary Increases: 4.00%
- Investment Rate of Return: 8.50%
- Retirement Age: Normal Retirement Age
- Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2013.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND NOTES TO SCHEDULE
 DEFINED BENEFIT TRUST FUND
 UNION EMPLOYEE'S PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

<u>Total pension liability</u>	
Service cost	\$ 95,531
Interest	193,347
Changes in benefit terms	-
Differences between actual and expected experience	178,350
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(186,009)</u>
Net change in total pension liability	281,219
Total pension liability - beginning	<u>2,414,301</u>
Total pension liability - ending (a)	<u>2,695,520</u>
 <u>Plan fiduciary net position</u>	
Contributions - employer	210,835
Contributions - employee	33,339
Net investment income	18,959
Benefit payments, including refunds of employee contributions	(186,009)
Administrative expense	<u>(1,350)</u>
Net change in plan fiduciary net position	75,774
Plan fiduciary net position - beginning	<u>1,108,311</u>
Plan fiduciary net position - ending (b)	<u>1,184,085</u>
 Net pension liability (asset) - ending (a - b)	 <u>\$ 1,511,435</u>
 Plan fiduciary net position as a percentage of total pension liability	 43.93%
 Covered- employee payroll	 \$ 1,078,016
 Net pension liability (asset) as a percentage of covered - employee payroll	 140.21%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS AND NOTES TO SCHEDULE
 DEFINED BENEFIT TRUST FUND
 NON-UNION EMPLOYEE'S PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

Schedule of Employer Contributions

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2005	\$ 79,209	\$ 86,826	\$ (7,617)		
2006	\$ 83,131	\$ 83,676	\$ (545)		
2007	\$ 90,389	\$ 90,389	\$ -		
2008	\$ 88,563	\$ 88,563	\$ -		
2009	\$ 102,571	\$ 102,571	\$ -		
2010	\$ 103,834	\$ 103,834	\$ -		
2011	\$ 117,881	\$ 117,881	\$ -		
2012	\$ 117,342	\$ 117,342	\$ -		
2013	\$ 162,988	\$ 162,988	\$ -		
2014	\$ 210,835	\$ 210,835	\$ -	\$ 1,078,016	19.56%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial Valuation Date: 1/1/2013
- Actuarial Cost Method: Entry Age Normal
- Amortization Method: Level Dollar Closed
- Remaining Amortization Period: 9 years
- Asset Valuation Method: The actuarial value of assets from the prior valuation report (reduced for benefits paid and increased for contributions) is projected forward at an artificial investment return of 7.00% (interest rate assumption minus 1%) with a corridor of 80% to 120% of market value.
- Inflation: 3.00%
- Salary Increases: 5.00%
- Investment Rate of Return: 8.00%
- Retirement Age: Rates on retirement which vary by age between age 62 and 65.
- Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2013.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUE

PASSENGER REVENUE

Full adult fares	\$ 504,496
Full fare transfers	36,842
Reduced fare transfers	3,135
31 day passes	248,390
20 ride passes	85,711
Short fares	10,891
10 ride passes	37,090
1 day passes	82,287
1 ride passes	11,754
Student passes	42,966
Handicapped fares	<u>35,641</u>

TOTAL PASSENGER SERVICE 1,099,203

ADVERTISING	56,258
MISCELLANEOUS INCOME	6,204
REFUND OF PRIOR YEAR EXPENSES	65,854
UNIFIED WORK PROGRAM	<u>12,960</u>

TOTAL OPERATING REVENUE 1,240,479

OPERATING EXPENSES

Administration - transportation operations:

Salaries and wages	83,764
Fringe benefit and payroll taxes	119,326
Depreciation:revenue vehicle movement control	4,962

Scheduling - transportation operations:

Salaries and wages	655
Fringe benefits and payroll taxes	8,835

Revenue vehicle operations:

Salaries and wages	2,298,861
Fringe benefits and payroll taxes	1,835,482
Fuel	739,442
Tires and tubes	63,021
Lubricant	25,387
Depeciation:	
Buses	1,271,815
Destination signs and voice enunciator	62,518
Consultants	3,509

Maintenance admin.-vehicles:

Salaries and wages	107,442
Fringe benefits and payroll taxes	97,132
Depreciation:shop and garage equipment	13,802

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

Servicing-revenue vehicles:	
Salaries and wages	\$ 208,840
Fringe benefits and payroll taxes	160,111
Material and supplies	3,497
Depreciation: installed equipment	11,767
Inspection and maintenance-rev. vehicles:	
Salaries and wages	351,019
Fringe benefits and payroll taxes	271,578
Contracted maintenance services	28,075
Material and supplies	337,971
Accident repairs-revenue vehicles:	
Salaries and wages	44,755
Fringe benefits and payroll taxes	34,436
Premiums for physical damage insurance	225,346
Vandalism repairs-revenue vehicles:	
Salaries and wages	2,354
Fringe benefits and payroll taxes	1,812
Service and fuel-service vehicles:	
Salaries and wages	7,608
Fringe benefits and payroll taxes	5,711
Fuel	3,751
Contracted maintenance services	440
Inspection and maintenance-service vehicles:	
Contracted maintenance services	1,104
Maintenance Admin.-facilities:	
Salaries and wages	25,999
Fringe benefits and payroll taxes	32,370
Depreciation.-structures & improvements	239,041
Maintenance-vehicle move. control:	
Contracted maintenance services	-
Maintenance-fare collect. & count equip.:	
Salaried and wages	26,696
Fringe benefit and payroll taxes	19,149
Contracted maintenance services	-
Maintenance:-buildings, grounds, equip.:	
Fringe benefits & payroll taxes	15,319
Buildings & grounds-wages	9,958
Buildings & grounds-contracted services	132,066
Buildings & grounds-custodial services	3,647
Buildings & grounds-material & supplies	8,945
Janitorial - salaries and wages	9,958
Janitorial - material & supplies	7,315

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2015

Ticket and fare collection:	
Salaries and wages	\$ 16,385
Fringe benefits and payroll taxes	11,807
Material and supplies	3,825
Depreciation: fareboxes & counting equipment	54,379
General administrative expenses:	
Fringe benefits and payroll taxes	238,503
Step program wages	9,299
Step program fringe benefits	7,103
Security service	7,502
Premiums-public liability. & prop. damage	29,703
Safety-salaries and wages	30,450
Safety-material and supplies	3,321
Personnel-professional and technical services	28,672
Legal - salaries and wages	30,428
Legal-professional and technical services	13,968
Accounting and auditing services	27,400
Finance and accounting-salaries	70,525
Finance & acct.-materials & supplies	1,104
Purchasing & store.-wages	55,775
Office management-materials & supplies	24,641
IT salaries and wages	60,499
Date processing-professional & technical services	17,533
General management-salaries	118,284
General management-professional & technical services	36,807
Marketing:	
Customer service-salaries and wages	119,143
Customer service-materials and supplies	4,234
Customer service-telephone	1,038
Promotion-media	2,462
Fringe benefits and payroll taxes	78,071
Customer service-professional and technical services	250
General expenses:	
Materials and supplies	968
Heat, power, light, water, & phone	123,010
Dues and subscriptions	6,117
Travel and meetings	30,410
Other miscellaneous expenses	3,620
Depreciation: service vehicles	-
Depreciation: office equipment	3,407
Depreciation: computer system	6,733
	<hr/>
TOTAL OPERATING EXPENSES	10,243,968
	<hr/>
LOSS FROM OPERATIONS	(9,003,489)

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF REVENUE AND EXPENSES - FIXED ROUTE OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2015

NON-OPERATING REVENUE (EXPENSES)	
CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:	
Federal government	\$ 1,804,754
OPERATING GRANTS:	
Commonwealth of Pennsylvania Act 44	5,018,976
Luzerne County Act 44 matching funds	<u>507,825</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	7,331,555
OTHER PUBLIC/PRIVATE SOURCES:	
Gain on sale of capital assets	<u>-</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>7,331,555</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(1,671,934)</u>
CAPITAL GRANT FUNDING	
Federal	37,011
Commonwealth of Pennsylvania Act 44 Capital Section 1517	764
Commonwealth of Pennsylvania Act 26	91,031
Luzerne County	<u>3,413</u>
TOTAL CAPITAL GRANT FUNDING	<u>132,219</u>
CHANGE IN NET POSITION	<u>\$ (1,539,715)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF REVENUE AND EXPENSES - ADA PARATRANSIT OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUE	
Passenger fares	\$ <u>64,293</u>
TOTAL PASSENGER SERVICE	<u>64,293</u>
OPERATING EXPENSES	
Purchased transportation:	
Vehicle operations	233,808
Maintenance	71,940
General and administration	<u>53,956</u>
TOTAL OPERATING EXPENSES	<u>359,704</u>
LOSS FROM OPERATIONS	<u>(295,411)</u>
NON-OPERATING REVENUE (EXPENSES)	
CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:	
Federal government	236,329
Commonwealth of Pennsylvania Act 44	53,760
Luzerne County Act 44 matching funds	<u>5,322</u>
	<u>295,411</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, 2015

OPERATING REVENUE

CONTRACT TRANSPORTATION FARES

Medical Assistance Transportation Program:	
Luzerne County	\$ 1,122,532
Commonwealth of Pennsylvania Department of Transportation	
Persons with Disabilities	26,917
Section 203 Lottery Program	600,291
Shared-Ride Ticket Fares:	
Persons with Disabilities	5,949
Section 203 Lottery Program	95,242
User Agencies and Organizations	
Department of Public Welfare	
Promise	394,961
Waiver	36,272
Luzerne County Transportation Authority	359,704
Luzerne-Wyoming County Mental Health/Mental Retardation Programs	
Partial Hospitalization	68,410
Promise	118,966
Luzerne County Children and Youth Services	29,834
Kidz Korner	14,052
Sugarloaf Day Care & Senior Care Center	255
Association for the Blind	383
Child Development Council	<u>11,613</u>

TOTAL FEE-FOR-SERVICE OPERATING REVENUE 2,885,381

OTHER OPERATING REVENUE

Charges for Vehicle Transportation Aides	209
Medical Assistance Client Travel Reimbursement	
Luzerne County	55,103
Miscellaneous income	<u>21,535</u>

TOTAL OPERATING REVENUES 2,962,228

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF REVENUE AND EXPENSES - NON-FIXED ROUTE OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2015

OPERATING EXPENSES

Salaries and wages:		
Operators	\$	922,396
Maintenance		99,005
Administration		313,722
 Fringe benefits:		
Operators		579,804
Maintenance		71,620
Administration		372,366
 Services:		
Outside repairs		6,673
Building and grounds		5,539
Legal		455
Accounting and auditing		22,900
Radios		7,866
Professional and technical services		13,240
 Fuels and lubricants:		
Fuel		406,525
Oil and lubricants		4,723
 Tires and tubes		35,835
 Other materials and supplies:		
Materials and supplies - vehicles		46,986
Office supplies		15,336
Other materials and supplies		9,586
 Utilities:		
Heat, power, lights, water, and phone		20,846
 Casualty and liability costs:		
Vehicle insurance		65,850
 Purchased transportation		96,531
 Miscellaneous expenses:		
Dues and subscriptions		645
Consolidation project expenses		17,051
Travel		5,904
Other miscellaneous expenses		616
 Non-public other transportation expenses:		
Purchased transportation		251,407
Mileage reimbursements		52,471
 Depreciation		<u>326,130</u>
 TOTAL OPERATING EXPENSES		<u>3,772,028</u>
 LOSS FROM OPERATIONS		(809,800)

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF REVENUE AND EXPENSES - NON-FIXED ROUTE OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2015

NON-OPERATING REVENUE (EXPENSES)	
OPERATING GRANTS:	
Commonwealth of Pennsylvania Technical Assistance	\$ 1,901
OTHER PUBLIC/PRIVATE SOURCES:	
Gain on sale of capital assets	<u> -</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u> 1,901</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u> (807,899)</u>
CAPITAL GRANT FUNDING	
Federal Section 5310	-
Commonwealth of Pennsylvania Section 1516 PWD	-
Commonwealth of Pennsylvania Section 1516 CTC	<u> -</u>
TOTAL CAPITAL GRANT FUNDING	<u> -</u>
CHANGE IN NET POSITION	<u>\$ (807,899)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Program Title	Federal CFDA Number	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 06-30-15
DIRECT FUNDING							
U.S. Department of Transportation							
Federal Transit Formula Grants:							
PA 90-X727	20.507	\$ 4,113,189	\$ -	\$ -	\$ 7,916	\$ 7,916	\$ -
PA 90-X755	20.507	2,306,590	14,293	-	27,097	27,097	12,804
PA 90-X792	20.507	2,127,257	707,976	687,354	20,645	20,645	23
PA 90-X813	20.507	2,181,225	1,420,443	393,711	1,688,745	1,688,745	662,012
PA 90-X814 (Tentative Grant Number)	20.507	-	-	-	333,692	333,692	333,692
TOTAL DEPARTMENT OF TRANSPORTATION		10,728,261	2,142,712	1,081,065	2,078,095	2,078,095	1,016,447
INDIRECT FUNDING							
U.S. Department of Transportation							
Pass through Pennsylvania Department of Transportation:							
Federal New Freedom Program	20.521	3,544	3,544	-	3,544	3,544	-
Passed through to Hazleton Public Transit System							
TOTAL DEPARTMENT OF TRANSPORTATION		3,544	3,544	-	3,544	3,544	-
INDIRECT FUNDING							
U.S. Department of Health and Human Services							
Pass through Pennsylvania Department of Public Welfare:							
Medical Assistance Program	93.778	237,512	237,512	73,159	225,442	225,442	69,870
TOTAL MEDICAL ASSISTANCE PROGRAM - DPW		237,512	237,512	73,159	225,442	225,442	69,870
Pass through Luzerne County:							
Medical Assistance Transportation Program - Luzerne County	93.778	613,122	613,122	(12,861)	554,666	554,666	(58,456)
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE		613,122	613,122	(12,861)	554,666	554,666	(58,456)
Pass through Luzerne County:							
Office of Mental Health/Developmental Services Social Services Block Grant - Transportation Services Program	93.667	34,739	34,739	-	34,739	34,739	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		885,373	885,373	60,298	814,847	814,847	11,414
INDIRECT FUNDING		888,917	888,917	60,298	818,391	818,391	11,414
TOTAL INDIRECT FUNDING		11,617,178	3,031,629	1,141,363	2,896,486	2,896,486	\$ 1,027,861

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Identifying Number	Grant Period	Payments Received		Revenue Recognized		
				Federal	State	Federal	State	Total
<u>U.S. Department of Health and Human Services</u>								
Pass through Pennsylvania Department of Public Welfare: Medical Assistance Program	93.778	n/a	07/01/2014-06/30/2015	\$ 237,512	\$ 216,809	\$ 225,442	\$ 205,791	\$ 431,233
TOTAL MEDICAL ASSISTANCE PROGRAM				<u>237,512</u>	<u>216,809</u>	<u>225,442</u>	<u>205,791</u>	<u>431,233</u>
Medical Assistance Transportation Program - Luzerne County	93.778	n/a	07/01/2014-06/30/2015	613,122	688,623	554,666	622,969	1,177,635
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE				<u>613,122</u>	<u>688,623</u>	<u>554,666</u>	<u>622,969</u>	<u>1,177,635</u>
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$ 850,634</u>	<u>\$ 905,432</u>	<u>\$ 780,108</u>	<u>\$ 828,760</u>	<u>\$ 1,608,868</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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, 2015

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 2,298,861	\$ -	\$ -	\$ 2,298,861
Other Salaries and Wages	100,803	794,628	494,403	1,389,834
Fringe Benefits	1,975,449	637,617	323,678	2,936,744
Services	-	172,394	126,104	298,498
Fuel and Lubricants	768,581	-	-	768,581
Tires and Tubes	63,020	-	-	63,020
Other Materials and Supplies	3,825	358,167	35,260	397,252
Utilities	-	-	124,048	124,048
Casualty and Liability Costs	-	-	255,049	255,049
Taxes	-	-	-	-
Purchased transportation	-	-	-	-
Miscellaneous Expenses	-	-	40,147	40,147
Expense Transfers	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total System Expenses	<u>5,210,539</u>	<u>1,962,806</u>	<u>1,398,689</u>	<u>8,572,034</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				-
TOTAL OPERATING EXPENSES				<hr/> <u>8,572,034</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				1,671,934
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<hr/>
Total Non-applied Reconciling Items				1,671,934
TOTAL OPERATING EXPENSES PER AUDIT				<hr/> <u>\$ 10,243,968</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE ADA PARATRANSIT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<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	233,808	71,940	53,956	359,704
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
	233,808	71,940	53,956	359,704
Total System Expenses	233,808	71,940	53,956	359,704
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				-
Total Applied Reconciling Items				-
TOTAL OPERATING EXPENSES				359,704
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				-
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				-
Total Non-applied Reconciling Items				-
TOTAL OPERATING EXPENSES PER AUDIT				\$ 359,704

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE SHARED RIDE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 922,396	\$ -	\$ -	\$ 922,396
Other Salaries and Wages	-	99,005	313,722	412,727
Fringe Benefits	579,804	71,620	372,366	1,023,790
Services	450	14,539	41,683	56,672
Fuel and Lubricants	411,248	-	-	411,248
Tires and Tubes	35,835	-	-	35,835
Other Materials and Supplies	-	49,339	22,569	71,908
Utilities	-	-	20,846	20,846
Casualty and Liability Costs	-	-	65,850	65,850
Taxes	-	-	-	-
Purchased transportation	-	-	96,531	96,531
Miscellaneous Expenses	-	-	24,216	24,216
Expense Transfers	-	-	-	-
	1,949,733	234,503	957,783	3,142,019
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				1
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				1
Total Applied Reconciling Items				1
TOTAL OPERATING EXPENSES				\$ 3,142,020
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				326,130
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				-
Total Non-applied Reconciling Items				326,130
TOTAL OPERATING EXPENSES PER AUDIT				\$ 3,468,150

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON PUBLIC EXPENSES - OTHER TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2015

	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	-	251,407	-	251,407
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
Mileage Reimbursement	-	-	52,471	52,471
MATP-Admin Reimbursement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total System Expenses	<u>-</u>	<u>251,407</u>	<u>52,471</u>	<u>303,878</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				<u>-</u>
TOTAL OPERATING EXPENSES				<u>303,878</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				-
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<hr/>
Total Non-applied Reconciling Items				<u>-</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 303,878</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - FIXED ROUTE REVENUES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
Transportation Revenues			
Passenger Fares	\$ 1,099,203	\$ -	\$ 1,099,203
Advertising	56,258	-	56,258
Charter	-	-	-
Route Guarantees	-	-	-
Other Revenue			
Jury Duty/Warranties	6,204	-	6,204
Sale of Assets	-	-	-
Other Revenue/UPWP	<u>78,814</u>	<u>-</u>	<u>78,814</u>
 TOTAL REVENUE	 <u>\$ 1,240,479</u>	 <u>\$ -</u>	 <u>\$ 1,240,479</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - NON-FIXED ROUTE REVENUES-URBAN
FOR THE YEAR ENDED JUNE 30, 2015

	ADA Paratransit		Shared Ride 65+		Shared Ride Under 65		Public Vanpool	Totals
			Standard	DAS	Standard	DAS		
TRANSPORTATION REVENUES								
Passenger Fares	\$ 64,293	\$ -	\$ 81,990	\$ -	\$ -	\$ -	\$ -	\$ 146,283
Advertising	-	-	-	-	-	-	-	-
Shared-Ride Lottery Trip Reimbursement	-	-	600,291	-	-	-	-	600,291
PwD Trip Reimbursement	-	-	-	-	26,917	-	-	26,917
PwD Passenger Fees	-	-	-	-	5,949	-	-	5,949
AAA	-	-	12,802	-	-	-	-	12,802
MH/MR - Shared Ride Fare Structure	-	-	31,507	-	155,869	-	-	187,376
W2W - Shared Ride Fare Structure	-	-	-	-	-	-	-	-
MATP - Shared-Ride Fare Structure	-	-	-	-	858,342	-	-	858,342
Children & Youth	-	-	-	-	30,043	-	-	30,043
HSDF	-	-	-	-	-	-	-	-
OTHER REVENUE								
User Agencies	-	-	450	-	790,937	-	-	791,387
MATP Aide Reimbursements	-	-	-	-	12,783	-	-	12,783
Interest and Miscellaneous	-	-	21,535	-	-	-	-	21,535
TOTAL REVENUE	\$ 64,293	\$ -	\$ 748,575	\$ -	\$ 1,880,840	\$ -	\$ -	\$ 2,693,708

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
 LEG - NON PUBLIC REVENUES - OTHER TRANSPORTATION
 FOR THE YEAR ENDED JUNE 30, 2015

CONTRACT REVENUE - NON-SHARED RIDE PARATRANSIT

Agency/Sponsor		
MATP - Contract Rate Paratransit Revenue		\$ 251,407
W2W - Contract Rate Paratransit Revenue		-
Other Contract Rate Paratransit Revenue		
Child Development Council		11,613
Volunteers of America		14,052
CCS Psych Rehab		638
Other Revenue		
MATP - Mileage Reimbursement		55,103
W2W - Other		-
Admin Reimbursement		-
TOTAL		332,813
Non-Applied Reconciling Items		-
TOTAL REVENUE		<u>\$ 332,813</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
FEDERAL			
Federal Operating Grant	\$ -	\$ -	\$ -
Federal Capital Grant to Fund Preventative Maintenance Costs	1,762,078	-	1,762,078
Federal Capital Grant to Fund Capital Costs of Contracting	-	-	-
Federal Capital Grant to Fund Associated Capital Maintenance Costs	42,676	-	42,676
Other Federal Grants for Operating Costs	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Federal Subsidy	<u>1,804,754</u>	<u>-</u>	<u>1,804,754</u>
STATE			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years- State Share	79,509	-	79,509
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	4,939,467	-	4,939,467
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>5,018,976</u>	<u>-</u>	<u>5,018,976</u>
LOCAL			
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	507,825	-	507,825
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>507,825</u>	<u>-</u>	<u>507,825</u>
Grand Total Subsidy	<u>\$ 7,331,555</u>	<u>-</u>	<u>\$ 7,331,555</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - NON-FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2015

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	236,329	-	-	-	236,329
Federal Capital Grant to Fund Associated Capital Maintenance Costs	-	-	-	-	-
Other Federal Grants for Operating Costs	-	-	-	-	-
Federal Shared-Ride Subsidy	-	-	-	-	-
SUBTOTAL FEDERAL SUBSIDY	236,329	-	-	-	236,329
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - State Share	-	-	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	53,760	-	-	-	53,760
Act 3 ASG Grant Amount Charged - State Share	-	-	-	-	-
Act 3 BSG Grant Amount Charged - State Share	-	-	-	-	-
Special Operating Grants - State Share	-	1,901	-	-	1,901
State Shared-Ride Subsidy	-	-	-	-	-
SUBTOTAL STATE SUBSIDY	53,760	1,901	-	-	55,661
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	5,322	-	-	-	5,322
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	-	-	-	-	-
SUBTOTAL LOCAL SUBSIDY	5,322	-	-	-	5,322
GRAND TOTAL SUBSIDY	\$ 295,411	\$ 1,901	\$ -	\$ -	\$ 297,312

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - BUDGET SUMMARY
FOR THE YEAR ENDED JUNE 30, 2015

	Fixed Route			Non-Fixed Route								Total	
	Urban	Rural	ADA Paratransit	Shared Ride				Public Vanpool		Other Transportation	Non-Public		
				Standard Urban	DAS Urban	Standard Rural	DAS Rural	Urban	Rural				
Total Operating Expenses	\$ 8,572,034	\$ -	\$ 359,704	\$ -	\$ 3,142,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,878	\$ 12,377,636
Total Revenue	1,240,479	-	64,293	-	2,629,415	-	-	-	-	-	-	332,813	4,267,000
Operating Deficit	(7,331,555)	-	(295,411)	-	(512,605)	-	-	-	-	-	-	28,935	(8,110,636)
Total Subsidy	7,331,555	-	295,411	-	1,901	-	-	-	-	-	-	-	7,628,867
Applied Operating Result	-	-	-	-	(510,704)	-	-	-	-	-	-	28,935	(481,769)
Non-Applied Reconciling Items													
Total Non-Applied Reconciling Expense Items	(1,671,934)	-	-	-	(326,130)	-	-	-	-	-	-	-	(1,998,064)
Total Non-Applied Reconciling Income Items	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Applied Reconciling Subsidy Items	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Results per Audit	\$ (1,671,934)	\$ -	\$ -	\$ -	\$ (836,834)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,935	\$ (2,479,833)

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S1 - LOCAL MATCH PROVIDED
 FOR THE YEAR ENDED JUNE 30, 2015

<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	5/14/2015	\$ 353,461
Unassigned Local Match Funding:		
Luzerne County		_____ -
GRAND TOTAL		<u>\$ 353,461</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S2 - LOCAL MATCH CARRYOVER
 FOR THE YEAR ENDED JUNE 30, 2015

A.	Local Match funds available as of 6/30/15	\$ 203,122
B.	Local match funds provided during the year ended 6/30/15	<u>353,461</u>
C.	Local match operating expenditures for year ended 6-30-15	
	a. Act 44 Sec. 1513 Local operating grant charged (prior years) - Municipal Source	169,686
	b. Act 44 Sec. 1513 Local operating grant charged (current year) - Municipal Source	343,461
	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 6/30/15 (Sum of C.a. through C.i.)	<u>513,147</u>
E.	Local match capital expenditures for year-ended 6/30/15	
	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)	3,413
	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 6/30/15 (Sum of E.a. through E.k.)	<u>3,413</u>
G.	Interest Earned on local funds for year ended 6/30/15	<u>3,535</u>
H.	Local match funds available as of 6/30/15 (A+B-D-F+G)	<u>\$ 43,558</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S3 - URBAN PTAF/BSG/ASG CARRYOVER
 FOR THE YEAR ENDED JUNE 30, 2015

	ACT 26		ACT 3	
	PTAF	LOCAL SHARE	BSG	ASG
Funds Available from Prior Years	\$ 126,118	\$ 48,711	\$ -	\$ -
Adjust County Funds to Contract Matching Requirement		(31,739)		
Interest Income Earned for Year Ended June 30, 2015	125	-		
Total Funds Available for the Year Ended June 30 , 2015	<u>126,243</u>	<u>16,972</u>	<u>-</u>	<u>-</u>
FUND EXPENDITURES				
Used for Operating				
Used for Capital Assistance	(91,031)	(3,413)		
Total Funds Used in Year Ended June 30, 2015	<u>(91,031)</u>	<u>(3,413)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - June 30, 2015	<u>\$ 35,212</u>	<u>\$ 13,559</u>	<u>\$ -</u>	<u>\$ -</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S5 - URBAN SECTION 1513 PROGRAM CARRYOVER
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Section 1513 State Grant</u>	<u>Section 1513 Required Local Match</u>	<u>Total</u>
A. FY 2014-15 Section 1513 URBAN Grant Agreement	\$ 5,149,086	\$ 509,612	\$ 5,658,698
 URBAN SECTION 1513 GRANT UTILIZATION FOR FISCAL YEAR ENDED JUNE 30, 2015			
1. Section 1513 fund balance as of June 30, 2014	\$ 5,654,343	\$ -	\$ 5,654,343
2. Section 1513 funds received for FY 2014-15	4,993,227	509,612	5,502,839
3. PTAF Section 1513 funds received for FY 2014-15	-	-	-
4. Total Section 1513 funds received for FY 2014-15 (Line 2+3, must agree with A above)	<u>4,993,227</u>	<u>509,612</u>	<u>5,502,839</u>
5. Interest Income earned on Section 1513 funds in FY 2014-15	<u>16,692</u>	<u>3,535</u>	<u>20,227</u>
6. Total Section 1513 funds available in FY 2014-15 (Line 1+4+5)	<u>10,664,262</u>	<u>513,147</u>	<u>11,177,409</u>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2014-15	5,072,736	513,147	5,585,883
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2014-15	-	-	-
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2014-15	-	-	-
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2014-15	-	-	-
11. Section 1513 funds used for Rural capital costs in FY 2014-15 (waiver required)	-	-	-
12. Section 1513 funds used for Urban capital costs in FY 2014-15 (waiver required)	<u>-</u>	<u>-</u>	<u>-</u>
13. Total Section 1513 funds used in FY 2014-15 (Line 7+8+9+10+11+12)	<u>5,072,736</u>	<u>513,147</u>	<u>5,585,883</u>
14. Section 1513 fund balance as of June 30, 2015 (Line 6 minus 13)	<u>\$ 5,591,526</u>	<u>\$ -</u>	<u>\$ 5,591,526</u>

INDEPENDENT AUDITOR'S 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, 2015 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.

Finding:

The trip totals listed on the attendance detail report did not agree to the trip totals listed on the quarterly billing reports submitted to the Department of Health and Human Services, Medical Assistance Division for the medical assistance transportation program. As a result, the total amount billed for the fiscal year was overstated by \$12,009.

Upon review, it was determined that the amounts listed on the MATP unduplicated client report and system generated query reports utilized to prepare the quarterly billing reports differed from the attendance detail report. The difference was attributable mainly to the system duplication of the new category "individuals 65 and over" created in October 2014.

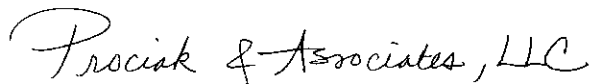
The revenue and related payable adjustment was posted as of June 30, 2015. Management is in the process of implementing a new software program.

- (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 15, 2015



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, 2015

SERVICE DATA	<u>Reported</u>	<u>Actual</u>
Expenditures:		
Group I clients	\$ 1,085,783	\$ 1,071,648
Group II clients	<u>104,245</u>	<u>105,987</u>
Total Expenditures	<u>\$ 1,190,028</u>	<u>\$ 1,177,635</u>
ALLOCATION DATA		
Revenues:		
Department of Public Welfare	\$ 1,189,645	\$ 1,177,252
Interest Income	<u>383</u>	<u>383</u>
Total Revenues	<u>\$ 1,190,028</u>	<u>\$ 1,177,635</u>
Funds Expended:		
Operating Costs	\$ 1,188,838	\$ 1,176,445
Administrative Costs	<u>1,190</u>	<u>1,190</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 AND THE AUDIT REQUIREMENTS
OF THE PENNSYLVANIA DEPARTMENT OF TRANSPORTATION

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 and the audit requirements of the Pennsylvania Department of Transportation, the financial statements of the Luzerne County Transportation Authority, as of and for the year ended June 30, 2015, 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 15, 2015. The report was qualified due to the departure from generally accepted governmental standards with regards to the other post employment benefits. The Authority did not obtain an actuarial valuation of 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.

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 2015-01 to 2015-04 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

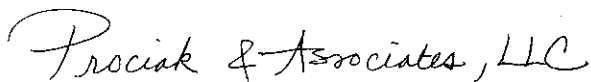
Luzerne County Transportation Authority's Response to Findings

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 15, 2015



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, 2015. 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, 2015.

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 2015-01 to 2015-04 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 15, 2015

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, 2015

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. Four 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. Four 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 not 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

2015-01 - 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, 2015

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: We agree with the finding, however, LCTA does not find it feasible at the present time to hire additional staff due its relatively small size and existing budget constraints. The Executive Director will continue to closely monitor the financial operations of the Authority.

2015-02 - Budgeting

Statement of Condition: In reviewing the final budget for the year ended June 30, 2015 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: We agree with the finding. LCTA has developed a new budgeting/monitoring process which allows for better oversight of budget vs. actual comparisons. LCTA will also implement budget transfers throughout the year, which will help rectify this issue.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

2015-03 – Monthly Billing Reports – Lottery Program

Statement of Condition: The revenue replacement report utilized to prepare the monthly billing report submitted to the Penn DOT Specialized Transportation Division was duplicating the trip total for the new category code “individuals 65 and over” created in October 2014. As a result, the total amount billed for the fiscal year for the lottery program was overstated by \$33,640.

Criteria: Accurate monthly billing reports should be submitted to the Penn DOT Specialized Transportation Division.

Effect: The monthly billing reports were overstated by a total of \$33,640 for the lottery program. The revenue and related payable adjustment was posted as of June 30, 2015.

Recommendation: We recommend the software utilized for the medical assistance transportation program be evaluated to determine if it has the capabilities necessary to generate accurate reports. In addition, we recommend alternative software options be evaluated.

Response: We agree with the finding. LCTA's current scheduling software is antiquated and there is no I.T. support provided. LCTA is currently in the process of implementing a new scheduling software, which we anticipate beginning in February 2016.

2015-04 – Quarterly Billing Reports – Medical Assistance Transportation Program

Statement of Condition: The trip totals listed on the attendance detail report did not agree to the trip totals listed on the quarterly billing reports submitted to the Department of Health and Human Services, Medical Assistance Division for the medical assistance transportation program. As a result, the total amount billed for the fiscal year was overstated by \$12,009.

Upon review, it was determined that the amounts listed on the MATP unduplicated client report and system generated query reports utilized to prepare the quarterly billing reports differed from the attendance detail report. The difference was attributable mainly to the system duplication of the new category code “individuals 65 and over” created in October, 2014.

Criteria: Accurate quarterly billing reports should be submitted to the Department of Health and Human Services, Medical Assistance Division.

Effect: The total amount billed for the medical assistance program was overstated by \$12,009. The revenue and related payable adjustment was posted as of June 30, 2015.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Recommendation: We recommend the software utilized for the medical assistance transportation program be evaluated to determine if it has the capabilities necessary to generate accurate reports. In addition, we recommend alternative software options be evaluated.

Response: We agree with the finding. LCTA's current scheduling software is antiquated and there is no I.T. support provided. LCTA is currently in the process of implementing a new scheduling software, which we anticipate beginning in February 2016.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

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

2015-01 - Segregation of Duties

As addressed in 2015-01, the Authority's internal control lacks segregation of duties.

2015-02 - Budgeting

As addressed in 2015-02, various line item expenditures exceeded their related budgeted amounts.

2015-03 – Monthly Billing Reports – Lottery Program

As addressed in 2015-03, the Authority's total amount billed for the lottery program for the fiscal year was overstated by \$33,640.

2015-04 – Quarterly Billing Reports – Medical Assistance Transportation Program

As addressed in 2015-04, the Authority's total amount billed for the medical assistance transportation program for the fiscal year was overstated by \$12,009.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

June 30, 2014 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, 2015 audit report, 2015-01.

IIB and IIIB

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.

STATUS: The same finding is noted in the June 30, 2015 audit report, 2015-02.

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: Inventories are now adequately safeguarded.

IID and IIID

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

STATUS: Obsolete items are properly valued at the estimated market value.

IIE and IIIE

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

STATUS: A physical count of inventory items on hand was performed as of June 30, 2015. In addition, the perpetual inventory system was maintained.

IIF and IIIF

CONDITION: A monthly reconciliation of the ticket inventory to cash receipts was not performed for the new off-site location (Wilkes-Barre Intermodal Transportation Center).

STATUS: Effective January 2015, monthly reconciliations were performed.

IIG and IIIG

CONDITION: Numerous exceptions were noted on medical assistance transportation program eligibility applications and assessment forms.

STATUS: Current year testing resulted in minor exceptions.