
LUZERNE COUNTY TRANSPORTATION AUTHORITY

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE YEAR ENDED JUNE 30, 2017

Prepared By;

***Joseph R. Aliciene & Co.
Accountants and Consultants***

LUZERNE COUNTY TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2017

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LUZERNE COUNTY TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Luzerne County Transportation Authority
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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the Luzerne County Transportation Authority, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

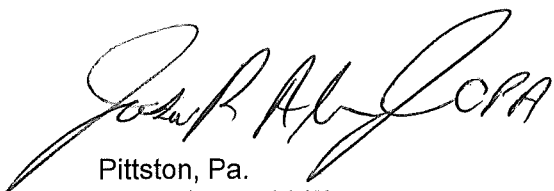
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the schedules relating to pensions on 35-39, and Retiree Health Plan-Schedule of Funding Progress, on pages 39, 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 page 40-47 and the supplemental schedules on pages 52-66 are presented for the purpose of additional analysis as required by the Federal Transit Administration and the Pennsylvania Department of Transportation and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 48 is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards. The accompanying schedule of expenditures of the Pennsylvania Department of Welfare Awards on page 50 is presented for the purpose of additional analysis as required by the Commonwealth of Pennsylvania Department of Public Welfare Single Audit Supplement, and is not a required part of the basic financial statement taken as a whole.

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 the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respect in relation to the basic financial statements.



Pittston, Pa.
December 6, 2017

LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017
(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, 2017. 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 \$1,578,599. This was caused, in part, by depreciation, which is an expense that is not eligible for operating funding amounting to \$1,897,245 and subsequently offset by large Capital funding in the amount of \$579,416. In addition, an increase in the pension benefit paid to Fixed Route Full Time Union employees was recognized this period.
- The Authority's operating revenues decreased from \$4,378,397 in 2016 to \$4,293,754 in 2017. This decrease of \$84,643 amounts to a 2% decrease in operating revenues. This is a reduction from last years reported 2.6% increase in operating expenses. This decrease is largely caused by a decrease in Fixed Route Passenger Fares from the prior year as well as a decrease in advertising revenue.
- Operating expenses increased from \$14,799,335 in 2016 to \$15,710,061 in 2017. The \$910,726 increase amounted to a 6.2% increase. Operating expenses of the Fixed Route Division increased by \$741,463 while the Shared Ride operating expenses increased by \$169,263. The Fixed Route increase was caused by increases in salaries and employee benefits, as well as the recording of Post-Employment Benefits and an increase in Fixed Route Union benefit calculation. The Shared Ride increase was caused by an increase in wages, insurance, and utilities.
- The Fixed Route Division had a net loss before capital funding of \$1,610,258 for the year ended June 30, 2017 after applying available subsidies of \$8,540,018. This net loss equals the amount of depreciation and OPEB expenses taken. This division received \$107,880 of capital grant funding.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017
(UNAUDITED)

- The Shared Ride Division had a net loss before capital funding of \$547,756 for the year ended June 30, 2017 after applying available subsidies of \$346,967. This net loss of \$152,440 equals additional losses for the year beyond that allowed by current year 1513 funding. This division received \$471,536 of capital grant funding.
- Pennsylvania Act 44 State Operating Assistance accounts for over 48% of the Authority's operating revenues. The Act 44 funding increased from \$5,595,512 in fiscal 2016 to \$6,414,715 in 2017. This is largely due to a new funding system adopted by LCTA whereas Shared Ride operating loss is shown as subsidized by Act 44 dollars. This practice is widely accepted across the State. In addition, recognizing pension benefit increase this period is a contributing factor.
- The Fixed Route Division carried approximately 1,072,990 passengers and recorded in excess of 1,161,339 vehicle miles during the year ended June 30, 2017.
- The Shared- Ride Division carried approximately 3,400 unduplicated passengers who took approximately 155,000 trips during the year ended June 30, 2017.

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 provides 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 - the 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 2014 cash balance.
- Notes to Financial Statements – the notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements.
- Other Information – in addition to the basic financial statements and accompanying notes, this report also presents information regarding the financial performance of the Authority by division. The Authority has two operating divisions: the Fixed Route Division, which provides scheduled bus service on fixed routes, and the Shared-Ride Division, which provides demand response transportation.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017
(UNAUDITED)**

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 \$6,244,761 as of June 30, 2017 compared to \$7,823,360 at June 30, 2016. This is a decrease of \$1,578,599.

A condensed summary of the Authority's statement of net position at June 30, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 6,592,129	\$ 7,475,488
Capital Assets, Net	<u>10,834,171</u>	<u>12,146,787</u>
TOTAL ASSETS	<u>\$ 17,426,300</u>	<u>\$ 19,622,275</u>
Deferred Outflows of Resources	<u>\$ 743,425</u>	<u>\$ 689,634</u>
Current and Other Liabilities	<u>\$ 6,140,759</u>	<u>\$ 5,486,677</u>
Deferred Inflows of Resources	<u>\$ 104,874</u>	<u>\$ 139,838</u>
Net Position		
Invested in Capital Assets	\$ 10,834,171	\$ 12,146,787
Unrestricted	<u>(4,589,410)</u>	<u>(4,323,427)</u>
TOTAL NET POSITION	<u>\$ 6,244,761</u>	<u>\$ 7,823,360</u>

The largest portion of the Authority's net position at June 30, 2017 was its investment in capital assets (land, buildings, revenue vehicles, equipment). This totaled \$10,834,171 or 62% of total assets. LCTA received capital grant funding from federal, state and local governments to acquire these capital assets. LCTA uses these capital assets to provide services to citizens.

Other large components of assets and liabilities are as follows. Cash totals \$4,834,479 (or 77% of net position), of which \$4,740,931 is restricted by the Commonwealth of Pennsylvania to be utilized only for future purchases of capital assets and operating funding. Large liabilities include \$4,776,031 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.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017
(UNAUDITED)**

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, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Passenger Revenues	\$ 1,261,544	\$ 1,304,348
Government Fare Programs	1,987,605	2,018,842
Other Operating Revenues	<u>1,044,605</u>	<u>1,055,207</u>
TOTAL OPERATING REVENUES	<u>4,293,754</u>	<u>4,378,397</u>
OPERATING EXPENSES		
Salaries and Wages	5,797,770	5,448,712
Fringe Benefits	4,651,718	3,881,223
Material and Supplies	1,327,323	1,559,244
Purchased Transportation	791,675	736,441
Depreciation	1,897,245	2,054,965
Other Operating Expenses	<u>1,244,330</u>	<u>1,118,750</u>
TOTAL OPERATING EXPENSES	<u>15,710,061</u>	<u>14,799,335</u>
NON-OPERATING REVENUES		
Operating and Planning Grants		
Federal	2,265,166	2,073,930
Commonwealth of Pennsylvania	6,414,714	5,595,512
Luzerne County	564,562	542,953
Gain on Sale of Capital Assets	<u>13,850</u>	<u>22,285</u>
TOTAL NON-OPERATING REVENUES	<u>9,258,292</u>	<u>8,234,680</u>
CAPITAL GRANT FUNDING		
Federal	339,148	540,449
Commonwealth of Pennsylvania	237,364	189,963
Luzerne County	<u>2,904</u>	<u>1,775</u>
TOTAL CAPITAL GRANT FUNDING	<u>579,416</u>	<u>732,187</u>
DECREASE IN NET POSITION	<u>\$ (1,578,599)</u>	<u>\$ (1,454,071)</u>

2017 Passenger revenues accounted for 29% of operating revenues and government fare programs accounted for 46%. Overall government operating, planning and capital grants accounted for 84% of all the Authority's revenues.

The Authority's major expenses are wages and fringe benefits. These account for 67% of the Authority's operating expenses.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2017
(UNAUDITED)**

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, 2017 and 2016, stated at cost, is as follows:

	<u>2017</u>	<u>2016</u>
Revenue Vehicles	\$ 17,900,204	\$ 17,874,652
Service Vehicles	230,758	230,758
Shelters and Bus Stop Signs	154,796	154,796
Buildings	7,079,183	7,079,183
Shop and Garage Equipment	767,588	703,511
Radios	105,834	105,834
Fareboxes	658,045	658,045
Destination Signs	811,003	784,946
Computer Equipment	359,736	187,983
Office Equipment	47,840	47,840
Land	<u>132,716</u>	<u>132,716</u>
TOTAL NET POSITION	<u>\$ 28,247,703</u>	<u>\$ 27,960,264</u>

During the year ended June 30, 2017, the Authority purchased \$584,628 of capital assets while selling or retiring assets, after the end of their useful lives, with a total cost basis of \$297,190.

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. 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 in the future.

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, 2017

ASSETS

CURRENT ASSETS	
Cash	\$ 93,548
Restricted Cash - Act 26	15,698
Restricted Cash - State Section 1513	4,725,233
Accounts Receivable - Trade	335,079
Capital and Technical Assistance Grants Receivable	503,463
Commonwealth of Pennsylvania Medical Assistance Program Receivable	262,059
Miscellaneous Receivables	18,500
Inventories	364,363
Other Current Assets	-
Prepaid Insurance	<u>274,186</u>
TOTAL CURRENT ASSETS	<u>6,592,129</u>
CAPITAL ASSETS	
Capital Assets not being depreciated	132,716
Capital Assets being depreciated	<u>28,114,987</u>
	28,247,703
Less: Accumulated Depreciation	<u>17,413,532</u>
TOTAL CAPITAL ASSETS	<u>10,834,171</u>
TOTAL ASSETS	<u>\$ 17,426,300</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions	<u>\$ 743,425</u>
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LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	
Trade	\$ 191,527
S.T.E.P.	35,110
Accrued Salaries and Wages	215,406
Accrued Payroll Taxes and Employee Funds Withheld	-
Accrued Pension	149,601
Accrued Workers' Compensation	40,262
Reserve for Health Care Claims	149,878
Deferred Revenue	
PennDOT Act 26 Capital	11,929
PennDOT Act 44	4,725,233
Luzerne County Act 26 Match	3,769
Luzerne County Unassigned	35,100
Unredeemed Fares	<u>121,516</u>
TOTAL CURRENT LIABILITIES	<u>5,679,331</u>
OTHER LIABILITIES	
Deferred Pension Liability	5,388,038
Other Post Retirement Benefit Liability	239,622
Accrued Compensated Absences	<u>513,099</u>
TOTAL OTHER LIABILITIES	<u>6,140,759</u>
TOTAL LIABILITIES	<u>\$ 11,820,090</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions	<u>\$ 104,874</u>
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NET POSITION

NET INVESTED IN CAPITAL ASSETS	\$ 10,834,171
UNRESTRICTED	<u>(4,589,410)</u>
TOTAL NET POSITION	<u>\$ 6,244,761</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES

Passenger Fares	\$ 1,261,544
State Lottery Shared Ride Program	582,903
State Persons with Disabilities Program	38,962
Area Agency on Aging	10,208
Mental Health/Intellectual & Development Disabilities	154,722
Medical Assistance Transportation Program	1,200,810
Other Contract Revenue	952,785
Advertising Income	31,604
Miscellaneous Income	<u>60,216</u>

TOTAL OPERATING REVENUES 4,293,754

OPERATING EXPENSES

Operators Salaries and Wages	3,714,839
Other Salaries and Wages	2,082,931
Fringe Benefits	4,651,718
Services	379,158
Fuel and Lubricants	729,911
Tires and Tubes	113,755
Other Materials and Supplies	483,657
Utilities	144,312
Casualty and Liability Costs	521,773
Taxes	-
Purchased Transportation	791,675
Miscellaneous Expenses	24,375
Mileage Reimbursements	66,383
Other Post Retirement Benefits	108,329
Depreciation	<u>1,897,245</u>

TOTAL OPERATING EXPENSES 15,710,061

LOSS FROM OPERATIONS (11,416,307)

NON-OPERATING REVENUE (EXPENSES)

**CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND
PLANNING GRANTS:**

FEDERAL GOVERNMENT	2,265,166
COMMONWEALTH OF PENNSYLVANIA SECTION 1513 ACT 44	67,507
LUZERNE COUNTY ACT 44 MATCHING FUNDS	6,756

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING GRANTS:	
COMMONWEALTH OF PENNSYLVANIA SECTION 1513 ACT 44	6,347,207
LUZERNE COUNTY ACT 44 MATCHING FUNDS	557,541
LUZERNE COUNTY SPECIAL OPERATING GRANT	<u>265</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	9,244,442
 OTHER PUBLIC/PRIVATE SOURCES:	
GAIN ON SALE OF CAPITAL ASSETS	<u>13,850</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>9,258,292</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(2,158,015)</u>
 CAPITAL GRANT FUNDING	
FEDERAL	339,148
COMMONWEALTH OF PENNSYLVANIA ACT 26 PTAF	14,504
COMMONWEALTH OF PENNSYLVANIA 1516 CTC	222,860
LUZERNE COUNTY	<u>2,904</u>
TOTAL CAPITAL GRANT FUNDING	<u>579,416</u>
CHANGE IN NET POSITION	(1,578,599)
NET POSITION - BEGINNING OF YEAR	<u>7,823,360</u>
NET POSITION - END OF YEAR	<u>\$ 6,244,761</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 4,452,093
Cash Payments to Suppliers for Goods and Services	(3,883,916)
Cash Payments to Employees for Services	(9,988,429)
Other Operating Cash Receipts	<u>77,302</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(9,342,950)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments of Operating Grants of Other Government Entities	-
Receipts from Operating Grants	<u>8,466,020</u>
NET CASH PROVIDED BY NONCAPITAL FINANCIAL ACTIVITIES	<u>8,466,020</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from Capital Grants	880,552
Proceeds from Sale of Equipment	13,850
Purchase of Capital Assets	<u>(584,627)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	<u>309,775</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>
NET INCREASE IN CASH	(567,155)
CASH - BEGINNING OF YEAR	<u>5,401,634</u>
CASH - END OF YEAR	<u>\$ 4,834,479</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Reconciliation of Operating Loss to Net Cash Used
by Operating Activities:

OPERATING LOSS	<u>\$ (11,416,307)</u>
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Adjustments to Reconcile Operating Loss to Net Cash
Provided (Used) by Operating Activities:

Depreciation	1,897,245
Deferred Outflows of Resources	(53,792)
Deferred Inflows of Resources	(34,959)
Changes in Assets and Liabilities:	
Accounts Receivable	214,212
Miscellaneous Receivables	17,086
Medical Assistance Program Receivable	(180,581)
Inventories	(48,245)
Prepaid Insurance	(9,618)
Receivable - Payroll Taxes	-
Other Current Assets	4,841
Accounts Payable	(286,985)
Accrued Salaries and Wages	29,042
Accrued Payroll Taxes and Employee Funds	(45,154)
Accrued Pension	(40,059)
Accrued Workers' Compensation	(20,482)
Reserve for Health Care Claims	(27,619)
Unredeemed Fares	4,343
Deferred Pension Liability	505,791
Other Post Retirement Benefit Liability	108,329
Accrued Compensated Absences	<u>39,962</u>

TOTAL ADJUSTMENTS	<u>2,073,357</u>
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NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (9,342,950)</u>
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LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

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.

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 operational or financial relationships with the Authority. The adoption of did not have any impact on the Authority's financial statements.

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

3. *Operating Revenue - shared-ride:*

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

4. *Capital Funding - shared-ride:*

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

5. *Restricted Resources:*

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

D. *Cash and Cash Equivalents*

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

E. *Accounts Receivable*

Included in accounts receivable are the amounts due from other governmental agencies, non-profit organizations and other third party payers under various contractual agreements. All accounts receivable are shown net of an allowance for uncollectible, as applicable. Accounts receivable in excess of 90 days are evaluated for collectability 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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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:

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

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 and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

H. Compensated Absences

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

I. Deferred Revenues

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 cost of advertising to expenses as incurred.

M. Subsequent Events

The Authority has evaluated subsequent events through December 6, 2017, the date the financial statements were issued.

NOTE (2) – BUDGET MATTERS:

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (3) – CASH AND INVESTMENTS:

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

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

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

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

As of June 30, 2017, the carrying amounts of the Authority's cash balances were \$4,834,479, and the bank balances were \$4,948,500, of which \$4,698,500 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 \$300 in petty cash funds as of June 30, 2017.

As of June 30, 2017, the Authority had no investments.

NOTE (4) – RESTRICTED CASH:

Cash in the amount of \$15,698 is restricted to the purchase of capital items in accordance with Commonwealth of Pennsylvania Act 26 of 1991 (See Note 9).

Cash in the amount of \$4,725,233 is restricted to the funding of operating assistance in accordance with Commonwealth of Pennsylvania Act 44 of 2007, State Section 1513 (See Note 10).

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (5) – CAPITAL ASSISTANCE GRANTS RECEIVABLE:

As of June 30, 2017, the following amounts are due on capital projects:

<i>Federal Government</i>	\$ 501,463
<i>Commonwealth of PA</i>	<u>-</u>
<i>Total</i>	<u>\$ 501,463</u>

NOTE (6) – INVENTORIES:

Components of inventory as of June 30, 2017, are as follows:

<i>Parts</i>	\$ 345,985
<i>Fuel</i>	<u>18,378</u>
<i>Total</i>	<u>\$ 364,363</u>

NOTE (7) – CAPITAL ASSETS:

The components of fixed assets as of June 30, 2017, are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>
<i>Capital assets not being depreciated:</i>			
<i>Land</i>	<u>\$ 132,716</u>	<u>\$ -</u>	<u>\$ 132,716</u>
<i>Capital assets being depreciated:</i>			
<i>Revenue Vehicles</i>	17,862,294	12,192,557	5,669,737
<i>Service Vehicles</i>	230,758	230,758	-
<i>Shelters and Bus Stop Signs</i>	154,796	154,796	-
<i>Structures and Improvements</i>	7,079,183	3,073,050	4,006,133
<i>Installed Equipment</i>	376,492	313,755	62,737
<i>Shop and Garage Equipment</i>	247,911	170,496	77,415
<i>Van Service Equipment</i>	143,185	71,447	71,738
<i>Radios</i>	75,125	61,593	13,532
<i>Fareboxes</i>	658,045	592,893	65,152
<i>Signs and Enunciator</i>	811,003	320,240	490,763
<i>Van Communication</i>	30,708	30,708	-
<i>Computer Equipment</i>	357,736	143,524	216,212
<i>Office Equipment</i>	<u>85,751</u>	<u>57,715</u>	<u>28,036</u>
<i>Total capital assets being depreciated, net</i>	<u>\$ 28,114,987</u>	<u>\$ 17,413,532</u>	<u>\$ 10,701,455</u>
<i>Total capital assets, net</i>	<u>\$ 28,247,703</u>	<u>\$ 17,413,532</u>	<u>\$ 10,834,171</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (7) – CAPITAL ASSETS (CONTINUED):

Total depreciation for the year ended June 30, 2017 was \$1,897,245.

The following schedule summarizes the changes in fixed assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Property and Equipment</i>	\$ 27,960,264	\$ 584,629	\$ (297,190)	\$ 28,247,703
<i>Accumulated Depreciation</i>	<u>(15,813,477)</u>	<u>(1,897,245)</u>	<u>297,190</u>	<u>(17,413,532)</u>
	<u>\$ 12,146,787</u>	<u>\$ (1,312,616)</u>	<u>\$ -</u>	<u>\$ 10,834,171</u>

NOTE (8) –DEFERRED REVENUE-PENN DOT AND LUZERNE COUNTY:

As of June 30,2017, 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 9 and 10. 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 (9) –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 10. 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 \$35 and was also deferred. Act 26 funding utilized for capital expenditures during the year was \$14,504. This resulted in deferred revenue as of June 30, 2017, in the amount of \$11,929.

NOTE (10) –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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (10) –DEFERRED REVENUE ACT 44 FUNDING (CONTINUED):

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 \$5,503,655. The amount received during the fiscal year ended June 30, 2017 was \$5,615,005. Interest earned amounted to \$21,287 and was also deferred. Funding utilized for asset maintenance and operating assistance amounted to \$6,414,714. This resulted in deferred revenue as of June 30, 2017, in the amount of \$4,725,233.

NOTE (11) –UNREDEEMED FARES:

Unredeemed fares include unused tickets sold under the S.T.E.P. program, program and the lottery program administered through the shared ride division of the Authority. As of June 30, 2017, the amounts were as follows:

<i>S.T.E.P. Program</i>	<i>\$ 35,110</i>
<i>PWD Program</i>	<i>5,901</i>
<i>Lottery Program</i>	<i><u>115,615</u></i>
<i>Total</i>	<i><u>\$ 150,725</u></i>

NOTE (12) –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, 2017, is \$513,099.

NOTE (13) –POSTEMPLOYEMENT BENEFITS:

Program Description:

As required by state law and defined by Authority's Policy, the Authority makes available health care benefits and life insurance to all eligible employees who retire from the Authority through a single employer defined benefit healthcare is provide for eligible employees for the first three years or until the attainment of Medicare age, whichever is less. The healthcare plan provides coverage for the employee, spouse, and dependents. Life insurance coverage is provided for life. Benefit provisions are established by management.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (13) –POSTEMPLOYMENT BENEFITS (CONTINUED):

Current retirees in the health plan and at retirement, active employees with 10 years of service at The Authority, are eligible to remain in the health plan at the total blended contribution rate for active and retiree participant. For financial reporting purposes, the eligible existing and retired employees are accounted for under post employments benefits.

Under the provisions of GASB Statement 45, employees who will be required to contribute the full aged based cost for coverage for the Authority's Health Plan do not receive an Other Post Employment Benefit. Accordingly, only those employees who are eligible to participate in the Retiree Health Program are included in the valuation results described below.

Funding Policy:

Current retirees contribute to the Retiree Health Program 15% of medical and prescription drug for the total blended premium for active and retired participants. The Authority contribution to the Retiree Health Program consists of pay-as-you-go premiums in excess of the retiree contributions. In fiscal year 2017, total member contributions were \$247,575. The Authority Estimated Contributions to the plan for fiscal year 2016 were \$116,534. The authority pays the full premium for life insurance. The face amount is determined by the retirement date. No spouses or dependents are covered.

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual other post-employment benefit (OPEB) cost (expense) for the Retiree Health Program is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's Annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the Authority's net OPEB obligation.

<i>Annual required contribution (ARC)</i>	\$ 227,015
<i>Interest on Net OPEB obligation</i>	5,908
<i>Adjustment to annual required contribution (ARC)</i>	<u>(8,060)</u>
<i>Annual OPEB cost</i>	224,863
<i>Contributions Made</i>	<u>(116,534)</u>
<i>Estimated increase in Net OPEB Obligation</i>	108,329
<i>Net OPEB Obligation-Beginning of year</i>	<u>131,293</u>
<i>Net OPEB Obligation-End of year</i>	<u>\$ 239,622</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (13) –POSTEMPLOYMENT BENEFITS (CONTINUED):

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for last two years were as follows:

<u>Fiscal Year</u>		<u>Annual OPEB Cost</u>	<u>Percentage Of Annual Cost Contribution</u>		<u>Net OPEB Obligation</u>
2017	\$	224,863	51.82%	\$	239,622
2016		227,015	42.17%		131,293

Funded Status and Funding Progress:

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,568,156 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,445,182, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.28%.

Actuarial values of the program involve estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer: are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets held in an irrevocable trust is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As the Authority chose to close its program as of June 30, 2017, and to not establish an irrevocable trust, plan assets will always be reported under GASB Statement 45 as zero.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (13) –POSTEMPLOYEMENT BENEFITS (CONTINUED):

In January 1, 2015, actuarial valuation, the entry-age normal method was used. The actuarial assumptions an annual healthcare cost trend rate of 6.00% in 2015 and 5.5% for 2016 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend. The Authority's unfunded actuarial accrued liability is being amortized as a level percent of active member payroll over a closed period. The remaining amortization period at June 30, 2015 was 16.2889 years. The life insurance annual assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation report mortality table.

NOTE (14) –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, 2017 was \$131,555.

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.

The amount of monthly pension is equal to \$53.00 per month per year of credited service earned after December 31, 2015 plus \$29.04 per month per year of credited service earned after December 31, 1991 and before December 31, 2016, plus member's accrued benefit earned for credited service prior to January 1, 1992.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

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 3.5% of the average of all full-time LCT A union employees' compensation. Member contributions are credited with 5.0% annual interest.

Plan Membership at December 31, 2016

<i>Inactive Members or Beneficiaries Currently Receiving Benefits</i>	57
<i>Inactive Members Entitled to but not yet Receiving Benefits</i>	3
<i>Active Members</i>	<u>70</u> *
 <i>Total Members</i>	 <u>130</u>

* Includes 1 Transferred Member

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

Net Pension liability

The net pension liability was measured as of December 31, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. 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 December 31, 2015, was determined using the following Economic assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP2000 Table for males and female. 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><i>Asset Class</i></u>	<u><i>Target Allocation</i></u>	<u><i>Long-Term Expected Real Rate of Return</i></u>
<i>Domestic Equity</i>	<i>60.00%</i>	<i>5.50% - 7.50%</i>
<i>Fixed Income</i>	<i>35.00%</i>	<i>1.00% - 3.00%</i>
<i>Cash</i>	<i>5.00%</i>	<i>0.00% - 1.00%</i>

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

JUNE 30, 2017

NOTE (14) – PENSION PLAN (CONTINUED):

Changes in the Net Pension Liability

	<i>Increase (Decrease)</i>		
	<i>Total</i>	<i>Plan</i>	<i>Net Pension</i>
	<i>Pension</i>	<i>Fiduciary</i>	
	<i>Liability</i>	<i>Net Position</i>	<i>Liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) – (b)</i>
<i>Balance at December 31, 2015</i>	\$ 5,623,857	\$ 2,325,249	\$ 3,298,608
<i>Changes for the year:</i>			
<i>Service Cost</i>	84,014		84,014
<i>Interest</i>	466,842		466,842
<i>Changes in Benefit Terms</i>	445,078		445,078
<i>Changes in Experience</i>	-		-
<i>Changes in Assumptions</i>	-		-
<i>Contributions - employer</i>		301,669	(301,669)
<i>Contributions – member</i>		128,885	(128,885)
<i>Net Investment Income</i>		93,982	(93,982)
<i>Benefit payments, including refunds</i>	(431,218)	(431,218)	-
<i>Administration Expense</i>		(11,800)	11,800
<i>Other Charges</i>		-	-
<i>Net Changes</i>	<u>564,716</u>	<u>81,518</u>	<u>483,198</u>
<i>Balance at December 31, 2016</i>	<u>\$ 6,188,573</u>	<u>\$ 2,406,767</u>	<u>\$ 3,781,806</u>

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:

	<i>Current</i>		
	<i>1% Decrease</i>	<i>Discount</i>	<i>1% Increase</i>
	<i>(7.50%)</i>	<i>Rate</i>	<i>(9.50%)</i>
	<u> </u>	<u> </u>	<u> </u>
<i>Plan's Net Pension Liability</i>	\$ 4,256,687	\$ 3,781,806	\$ 3,366,625

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

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

Pension expense - For the year ended June 30, 2017, the Authority recognized pension expense of \$385,404.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
	<u> </u>	<u> </u>
<i>Differences between expected and actual experience</i>	\$	\$ 104,874
<i>Contributions subsequent to measurement date</i>	147,118	-
<i>Net differences between projected and actual earnings on pension plan investments</i>	<u>314,936</u>	<u>-</u>
 <i>Total</i>	 <u>\$ 462,054</u>	 <u>\$ 104,874</u>

Contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year ended June 30,</i>		
2018	\$	74,218
2019		74,218
2020		41,000
Thereafter		<u>20,626</u>
	\$	<u>210,062</u>

Payable to the Pension Plan

At June 30, 2017, the Authority reported a payable of \$6,569 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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

JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

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

JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

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

Members contribute 3% of compensation

Member contributions are credited with 8.0% annual interest.

Plan Membership at December 31, 2016

<i>Inactive Members or Beneficiaries Currently Receiving Benefits</i>	<i>17</i>
<i>Inactive Members Entitled to but not yet Receiving Benefits</i>	<i>3</i>
<i>Active Members</i>	<u><i>24</i></u>
 <i>Total Members</i>	 <u><u><i>44</i></u></u>

Net Pension Liability

The net pension liability was measured as of December 31, 2016 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2015. 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

JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

Actuarial Assumptions

The total pension liability as of December 31, 2016 was determined using the following economic assumptions, applied to all periods included in the measurement:

<i>Inflation</i>	<i>3.00%</i>	
<i>Salary Increases</i>	<i>5.00%</i>	<i>(average, including inflation)</i>
<i>Investment Rate of Return</i>	<i>8.50%</i>	<i>(including inflation)</i>
<i>Postretirement Cost of Living Increase</i>	<i>0.00%</i>	

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:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
<i>Domestic Equity</i>	<i>55.00%</i>	<i>5.50% - 7.50%</i>
<i>Fixed Income</i>	<i>35.00%</i>	<i>1.00% - 3.00%</i>
<i>Cash</i>	<i>10.00%</i>	<i>0.00% - 1.00%</i>

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE (14) – PENSION PLAN (CONTINUED):

Changes in the Net Pension Liability

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability (a) – (b)</i>
<i>Balance at December 31, 2015</i>	\$ 2,858,847	\$ 1,275,208	\$ 1,583,639
<i>Changes for the year:</i>			
<i>Service Cost</i>	150,824		150,824
<i>Interest</i>	229,797		229,797
<i>Changes in Benefit Terms</i>	-		-
<i>Changes in Experience</i>	-		-
<i>Changes in Assumptions</i>	-		-
<i>Contributions - employer</i>		288,164	(288,164)
<i>Contributions – member</i>		32,539	(32,539)
<i>Net Investment Income</i>		42,025	(42,025)
<i>Benefit payments, including refunds</i>	(274,425)	(274,425)	-
<i>Administration Expense</i>		(4,700)	4,700
<i>Other Charges</i>		-	-
	<u>106,196</u>	<u>83,603</u>	<u>22,593</u>
<i>Net Changes</i>			
<i>Balance at December 31, 2016</i>	<u>\$ 2,965,043</u>	<u>\$ 1,358,811</u>	<u>\$ 1,606,232</u>

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:

	<i>1% Decrease (7.00%)</i>	<i>Current Discount Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
	<i>Plan's Net Pension Liability</i>	\$ 1,863,164	\$ 1,606,232

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE (14) –PENSION PLAN (CONTINUED):

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

Pension expense. For the year ended June 30, 2017, the Authority recognized pension expense of \$ 31,637.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>
<i>Differences between expected and actual experience</i>	\$ 124,845
<i>Net differences between projected and actual earnings on pension plan investments</i>	<u>156,526</u>
<i>Total</i>	<u><u>\$ 281,371</u></u>

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

<i>Year ended June 30:</i>	
2018	\$ 70,698
2019	70,698
2020	56,304
2021	30,166
2022	17,835
<i>Thereafter</i>	<u>35,670</u>
	<u><u>\$ 281,371</u></u>

Payable to the Pension Plan

At June 30, 2017, the Authority reported a payable of \$143,032 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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

JUNE 30, 2017

NOTE (15) –SELF FUNDED HEALTH INSURANCE

On January 1, 2016, the LCTA became self-insured in providing group medical and prescription drug coverage for substantially all of its employees and certain retirees. A third-party administers the group medical coverage for the Authority. The Authority is liable for all claims up to \$75,000 per individual for any one plan year. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$75,000 per plan year to a maximum of \$1,000,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. For the year ended June 30, 2017, the amount of settlements did not exceed insurance coverage.

The liability for unpaid claims, if any, is estimated using an industry average that is based on actual claims paid. As of June 30, 2017, the Authority had a claims liability for its employee benefit plan. Changes in the claims liability are as follows:

<i>Claims Liability Beginning of Year</i>	<i>Claims and changes in estimates</i>	<i>Claim Payments</i>	<i>Claims Liability End of Year</i>
<i>\$ 177,497</i>	<i>\$ 1,805,959</i>	<i>\$ 1,833,578</i>	<i>\$ 149,878</i>

NOTE (16) –ECONOMIC DEPENDENCY

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

NOTE (17) –CONTINGENCIES

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 expenditure 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.

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 Trust Fund
Union Employees' Pension Plan

	2017*	2016*
<i>Total Pension Liability:</i>		
<i>Service cost</i>	\$ 84,014	\$ 80,783
<i>Interest</i>	466,842	456,979
<i>Changes in benefit terms</i>	445,078	
<i>Differences between expected and actual experience</i>	-	-
<i>Changes of assumptions</i>	-	-
<i>Benefit payments, including refunds</i>	(431,218)	(418,690)
<i>Net changes in Total Pension Liability</i>	564,716	119,072
<i>Total Pension Liability – Beginning</i>	5,623,857	5,504,785
<i>Total Pension Liability – Ending (a)</i>	\$ 6,188,573	5,623,857
<i>Plan Fiduciary Net Position</i>		
<i>Contributions – employer</i>	\$ 301,669	\$ 256,439
<i>Contributions – member</i>	128,885	103,572
<i>Net investment income (loss)</i>	93,982	(70,052)
<i>Benefit payments, including refunds</i>	(431,218)	(418,690)
<i>Administrative expense</i>	(11,800)	(11,900)
<i>Net Change in Plan Fiduciary Net Position</i>	81,518	(140,631)
<i>Plan Fiduciary Net Position – Beginning</i>	2,325,249	2,465,880
<i>Plan Fiduciary Net Position – Ending (b)</i>	\$ 2,406,767	\$ 2,325,249
<i>Net Pension Liability – Ending (a – b)</i>	\$ 3,781,806	\$ 3,298,608
<i>Plan fiduciary Net Position as a Percentage of the Total Pension Liability</i>	38.89%	41.35%
<i>Covered Employee Payroll</i>	\$ 3,605,122	\$ 3,533,912
<i>Net Pension Liability as a Percentage of Covered Employee Payroll</i>	104.90%	93.34%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which 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*

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Payroll</u>
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%
2015	256,375	256,439	(64)	3,533,912	7.25%
2016	243,280	301,669	(58,389)	3,605,122	8.37%

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: Benefit credit per year of service after January 1, 2016 equal to \$53 per year.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Authority's Net Pension Liability and Related Ratios
Defined Benefit Trust Fund
Non-Union Employees' Pension Plan

	2017*	2016*
<i>Total Pension Liability:</i>		
<i>Service cost</i>	\$ 150,824	\$ 143,642
<i>Interest</i>	229,797	219,154
<i>Changes in benefit terms</i>	-	-
<i>Differences between expected and actual experience</i>	-	-
<i>Changes of assumptions</i>	-	-
<i>Benefit payments, including refunds</i>	(274,425)	(199,469)
<i>Net changes in Total Pension Liability</i>	106,196	163,327
<i>Total Pension Liability – Beginning</i>	2,858,847	2,695,520
<i>Total Pension Liability – Ending (a)</i>	\$ 2,965,043	2,858,847
<i>Plan Fiduciary Net Position</i>		
<i>Contributions – employer</i>	\$ 288,164	\$ 297,426
<i>Contributions – member</i>	32,539	31,437
<i>Net investment income (loss)</i>	42,025	(31,071)
<i>Benefit payments, including refunds</i>	(274,425)	(199,469)
<i>Administrative expense</i>	(4,700)	(7,200)
<i>Net Change in Plan Fiduciary Net Position</i>	83,603	91,123
<i>Plan Fiduciary Net Position – Beginning</i>	1,275,208	1,184,085
<i>Plan Fiduciary Net Position – Ending (b)</i>	\$ 1,358,811	\$ 1,275,208
<i>Net Pension Liability – Ending (a – b)</i>	\$ 1,606,232	\$ 1,583,639
<i>Plan fiduciary Net Position as a Percentage of the Total Pension Liability</i>	45.83%	44.61%
<i>Covered Employee Payroll</i>	\$ 1,061,963	\$ 1,015,021
<i>Net Pension Liability as a Percentage of Covered Employee Payroll</i>	151.25%	156.02%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which 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*

<u>Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions From Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Payroll</u>
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%
2015	297,426	297,426	-	1,015,021	29.30%
2016	288,164	288,164	-	1,061,963	27.14%

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 of retirement vary by age between 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
 REQUIRED SUPPLEMENTARY INFORMATION

*Retiree Health Plan
 Schedule of Funding Progress
 (UNAUDITED)*

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) Entry Age</i>	<i>Unfunded AAL (UAAL)</i>	<i>Fund Ratio</i>	<i>Annual Covered Payroll</i>	<i>UUAL as a Percentage of Covered Payroll</i>
	1/1/2015	-	\$ 1,568,156	- %	4,445,182	35.28%

Notes to Required Supplementary Information:

<i>Latest actuarial Valuation Date</i>	<i>January 1, 2015</i>
<i>Actuarial Cost Method</i>	<i>Entry Age Normal</i>
<i>Amortization Method</i>	<i>Level Dollar Open</i>
<i>Remaining Amortization Period</i>	<i>16.2889</i>
<i>Asset Valuation Method</i>	<i>None</i>
<i>Interest Rate</i>	<i>4.50%</i>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUE:

PASSENGER REVENUE

FULL ADULT FARES	\$ 497,823
FULL FARE TRANSFERS	35,152
REDUCED FARE TRANSFERS	3,191
31 DAY PASSES	250,276
20 RIDE PASSES	102,875
SHORT FARES	9,168
10 RIDE PASSES	53,688
1 DAY PASSES	80,191
LCTA/COLTS 31	1,980
1 RIDE PASSES	4,749
STUDENT PASSES	44,752
HANDICAPPED FARES	34,257

TOTAL PASSENGER SERVICE 1,118,102

ADVERTISING	31,604
MISCELLANEOUS INCOME	10,292
UNIFIED WORK PROGRAM	18,320

TOTAL OPERATING REVENUE 1,178,318

OPERATING EXPENSES:

ADMINISTRATION-TRANS. OPER.:

SALARIES AND WAGES	118,873
FRINGE BENEFIT AND PAYROLL TAXES	114,519
DEPRN:REV. VEHICLE. MOVEMENT CONTROL	4,934

SCHEDULING-TRANS. OPER.:

SALARIES AND WAGES	12,551
FRINGE BENEFITS AND PAYROLL TAXES	11,191

REVENUE VEHICLE OPERATIONS:

SALARIES AND WAGES	2,568,262
FRINGE BENEFIT AND PAYROLL TAXES	2,389,055
FUEL	432,258
TIRES AND TUBES	70,715
LUBRICANT	31,597
DEPRN:	
BUSES	1,059,071
DESTINATION SIGNS AND VOICE ENUNCIATOR	99,810
CONSULTANTS	3,509

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

MAINTENANCE ADMIN.-VEHICLES:	
SALARIES AND WAGES	137,372
FRINGE BENEFIT AND PAYROLL TAXES	105,550
DEPRN:SHOP AND GARAGE EQUIPMENT	16,020
SERVICING-REVENUE VEHICLES:	
SALARIES AND WAGES	265,590
FRINGE BENEFITS AND PAYROLL TAXES	223,639
MATERIAL AND SUPPLIES	2,384
DEPRN: INSTALLED EQUIPMENT	12,585
INSPECTION AND MAINT.-REV. VEHICLES:	
SALARIES AND WAGES	353,107
FRINGE BENEFIT AND PAYROLL TAXES	253,835
CONTRACTED MAINT. SERVICES	51,316
MATERIAL AND SUPPLIES	363,602
ACCIDENT REPAIRS-REV. VEHICLES:	
SALARIES AND WAGES	37,328
FRINGE BENEFIT AND PAYROLL TAXES	41,865
PREMIUMS FOR PHYSICAL DAMAGE INSURANCE	223,144
RECOVERY OF PHYS. DAMAGE LOSS	-
VANDALISM REPAIRS-REV. VEHICLES:	
SALARIES AND WAGES	1,833
FRINGE BENEFIT AND PAYROLL TAXES	1,538
SERVICE AND FUEL-SERVICE VEHICLES:	
SALARIES AND WAGES	18,984
FRINGE BENEFIT AND PAYROLL TAXES	9,717
FUEL	2,123
MATERIALS AND SUPPLIES	664
INSPECTION AND MAINT.-SERVICE. VEHICLES:	
CONTRACTED MAINT. SERVICES	75
MAINT. ADMIN.-FACILITIES:	
SALARIES AND WAGES	40,768
FRINGE BENEFIT AND PAYROLL TAXES	29,858
DEPRN.-STRUCTURES & IMPROVEMENTS	237,772
MAIN.-VEHICLE MOVE. CONTROL:	
CONTRACTED MAINTENANCE SERVICES	1,029
MAINT.-FARE COLLECT. & COUNT EQUIP.:	
SALARIES AND WAGES	57,829
FRINGE BENEFIT AND PAYROLL TAXES	51,250

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

MAINT:-BLDGS, GROUNDS, EQUIP.:

FRINGE BENEFITS & PAYROLL TAXES	14,956
BLDGS.& GROUNDS-WAGES	11,241
BLGD.& GROUNDS-CONTRACTED SERVICES	27,759
BLGD.& GROUNDS-CUSTODIAL SERVICES	5,040
BLGD.& GROUNDS-MATERIAL & SUPPLIES	1,117
JANITORIAL: SALARIES AND WAGES	11,188
JANITORIAL: MATERIAL & SUPPLIES	6,640

TICKET AND FARE COLLECTION:

SALARIES AND WAGES	14,472
FRINGE BENEFIT AND PAYROLL TAXES	11,204
MATERIAL AND SUPPLIES	14,974
DEPRN: FAREBOXES & COUNTING EQUIPMENT	54,379

GENERAL ADMINISTRATIVE EXPENSES:

FRINGE BENEFITS AND PAYROLL TAXES	355,517
STEP PROGRAM WAGES	9,683
STEP PROGRAM FRINGE BENEFITS	8,065
SECURITY SERVICE	21,509
HEALTH CLAIMS - PROF. & TECH SERVICES	51,971
HEALTH CLAIMS - STOP-LOSS	144,408
SAFETY-SALARIES AND WAGES	20,757
SAFETY-MATERIAL AND SUPPLIES	1,454
PREMIUMS-PUBLIC LIABILITY. & PROP. DAMAGE	26,092
PERSONNEL-PROFESS. AND TECH SERVICES	23,705
LEGAL - SALARIES AND WAGES	31,304
LEGAL-PROFESS. AND TECH SERVICES	7,120
ACCOUNTING AND AUDITING SERVICES	26,308
FINANCE AND ACCOUNTING-SALARIES	66,616
FINANCE & ACCT.-MATERIALS & SUPPLIES	743
PURCHASING & STORE.-WAGES	61,499
OFFICE MANAGEMENT-MATERIALS & SUPPLIES	17,101
IT SALARIES AND WAGES	60,202
DATE PROCESSING-PROF. & TECH. SERVICES	56,311
GENERAL MANAGEMENT-SALARIES	155,113
GENERAL MANAGEMENT-PROF. & TECH SERVICES	18,898

MARKETING:

CUSTOMER SERVICE-SALARIES AND WAGES	144,526
CUSTOMER SERVICE-MATERIALS & SUPPLIES	95
CUSTOMER SERVICE-TELEPHONE	-
PROMOTION-MEDIA	5,167
FRINGE BENEFITS AND PAYROLL TAXES	135,706

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

GENERAL EXPENSES:

MATERIALS AND SUPPLIES	452
HEAT, POWER, LIGHT, WATER, & PHONE	105,862
DUES AND SUBSCRIPTIONS	7,191
TRAVEL AND MEETINGS	8,606
OTHER POST RETIREMENT BENEFIT COSTS	108,329
OTHER MISCELLANEOUS EXPENSES	4,341
DEPRECIATION: SERVICE VEHICLES	-
DEPRECIATION: OFFICE EQUIPMENT	3,080
DEPRECIATION: COMPUTER SYSTEM	10,771
	10,771

TOTAL OPERATING EXPENSES 11,328,594

LOSS FROM OPERATIONS (10,150,276)

NON-OPERATING REVENUE (EXPENSES)

CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:

FEDERAL GOVERNMENT	1,968,122
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OPERATING GRANTS:

COMMONWEALTH OF PENNSYLVANIA SECTION 1513 ACT 44	6,014,090
LUZERNE COUNTY ACT 44 MATCHING FUNDS	557,541
LUZERNE COUNTY SPECIAL OPERATING GRANT	265
	265

TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS 8,540,018

OTHER PUBLIC/PRIVATE SOURCES:

GAIN ON SALE OF CAPITAL ASSETS	-
	-

TOTAL NON-OPERATING REVENUE (EXPENSES) 8,540,018

LOSS BEFORE CAPITAL GRANT FUNDING (1,610,258)

CAPITAL GRANT FUNDING

FEDERAL	90,472
COMMONWEALTH OF PENNSYLVANIA ACT 26 PTAF	14,504
LUZERNE COUNTY	2,904
	2,904

TOTAL CAPITAL GRANT FUNDING 107,880

CHANGE IN NET POSITION \$ (1,502,378)

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - ADA PARATRANSIT OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUE:

PASSENGER FARES	71,154
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OPERATING EXPENSES:

PURCHASED TRANSPORTATION

VEHICLE OPERATIONS	287,600
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MAINTENANCE	88,492
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GENERAL AND ADMINISTRATION	66,370
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TOTAL OPERATING EXPENSES	442,461
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LOSS FROM OPERATIONS	(371,307)
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NON-OPERATING REVENUE (EXPENSES)

CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND

PLANNING GRANTS:

FEDERAL GOVERNMENT	297,044
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COMMONWEALTH OF PENNSYLVANIA SECTION 1513 ACT 44	67,507
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LUZERNE COUNTY ACT 44 MATCHING FUNDS	6,756
--------------------------------------	-------

	371,307
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CHANGE IN NET POSITION	-
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LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - NON FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUE:

CONTRACT TRANSPORTATION FARES

Medical Assistance Transportation Program:

Luzerne County \$ 1,200,810

Commonwealth of Pennsylvania Department of Transportation

Persons with Disabilities 38,962

Section 203 Lottery Program 582,903

Shared-Ride Ticket Fares:

Persons with Disabilities 8,586

Section 203 Lottery Program 82,946

User Agencies and Organizations

Department of Public Welfare

Promise 392,704

Waiver 26,672

Luzerne County Transportation Authority 442,653

Luzerne County Mental Health/Mental Retardation Programs

Partial Hospitalization 42,433

Promise 112,288

Luzerne County Children and Youth Services 18,598

Kidz Korner 12,039

Single Contract 238

Nanticoke Active Adults 187

Association for the Blind 1,177

Busy Bee Day Care 2,760

Child Development Council 11,943

TOTAL FEE-FOR-SERVICE OPERATING REVENUE 2,977,899

OTHER OPERATING REVENUE

Medical Assistance Client Travel Reimbursement 66,383

TOTAL OPERATING REVENUES 3,044,282

OPERATING EXPENSES:

SALARIES AND WAGES

Operators 1,149,422

Maintenance 108,323

Administration 340,926

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - NON FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

FRINGE BENEFITS

Operations	636,944
Maintenance	57,120
Administration	200,189

SERVICES

Outside Repairs	3,759
Building and Grounds	9,769
Finance	21,318
Radios	10,564
Professional and Technical Services	39,441

FUEL AND LUBRICANTS

Fuel	260,584
Oil and Lubricants	3,349

TIRES AND TUBES

43,040

OTHER MATERIALS AND SUPPLIES

Materials and Supplies: Vehicles	50,915
Office Supplies	15,001
Other Materials and Supplies	6,614

UTILITIES

Heat, Power, Lights, Water and Phone	38,450
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CASUALTY AND LIABILITY COSTS

Vehicle Insurance	75,217
Recovery of Physical Damage Loss	-
Stop Loss Insurance	52,912

PURCHASED TRANSPORTATION

72,843

MISCELLANEOUS EXPENSES

Travel	2,490
Other Miscellaneous Expenses	1,745

NON-PUBLIC OTHER TRANSPORTATION EXPENSES

Purchased Transportation	276,371
Mileage Reimbursements	66,383

DEPRECIATION

395,316

TOTAL OPERATING EXPENSES

3,939,005

LOSS FROM OPERATIONS

(894,723)

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - NON FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017

NON-OPERATING REVENUE (EXPENSES)

OPERATING GRANTS:

Commonwealth of Pennsylvania Section 1513 Act 44 333,117

TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS 333,117

OTHER PUBLIC/PRIVATE SOURCES:

Gain on Sale of Capital Assets 13,850

TOTAL NON-OPERATING REVENUE (EXPENSES) 346,967

LOSS BEFORE CAPITAL GRANT FUNDING (547,756)

CAPITAL GRANT FUNDING

Federal Section 5310 248,676

Commonwealth of Pennsylvania Section 1516 CTC 222,860

TOTAL CAPITAL GRANT FUNDING 471,536

CHANGE IN NET POSITION \$ (76,220)

Luzerne County Transportation Authority
 Schedule of Expenditures of Federal Awards
 For the Year ended June 30 2017

Federal Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 07-01-16	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 06-30-17
DIRECT FUNDING							
U.S. Department of Transportation							
Federal Transit Capital Assistance Grants:							
PA 90-X813	20.507	2,181,225	75,116	2,400	72,716	72,716	-
PA 2016-006-00	20.507	3,180,877	459,843	365,667	101,178	101,178	7,002
PA 2016-016-00	20.507	2,440,410	1,779,042	234,667	1,973,398	1,973,398	429,023
PA 2017-015-00	20.507	1,755,678	142,906	-	142,906	142,906	-
PA 2018-000-00 (tentative grant number)	20.507	-	-	-	65,438	65,438	65,438
TOTAL DEPARTMENT OF TRANSPORTATION DIRECT FUNDING		9,558,190	2,456,907	602,734	2,355,636	2,355,636	501,463
INDIRECT FUNDING							
U.S. Department of Transportation							
Pass Through Pennsylvania Department of Transportation:							
Federal Transit Capital Assistance Grants:							
PA 16-006	20.513	-	222,860	-	222,860	222,860	-
PA 16-X040	20.513	477,742	157,060	157,060	-	-	-
TOTAL DEPARTMENT OF TRANSPORTATION INDIRECT FUNDING		477,742	379,920	157,060	222,860	222,860	-
U.S. Department of Health and Human Services							
Pass through Pennsylvania Department of Public Welfare:							
Medical Assistance Program							
	93.778	225,163	225,163	84,975	213,882	213,882	73,694
TOTAL MEDICAL ASSISTANCE PROGRAM - DPW		225,163	225,163	84,975	213,882	213,882	73,694
Pass through Luzerne County:							
Medical Assistance Transportation Program							
Luzerne County	93.778	542,332	542,332	40,739	633,597	633,597	132,004
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE		542,332	542,332	40,739	633,597	633,597	132,004
Pass through Luzerne County:							
Office of Mental Health/Development Services							
Social Services Block Grant - Transportation Services Program							
	93.667	34,739	34,739	-	34,739	34,739	-
TOTAL MENTAL HEALTH PROGRAM - LUZERNE		34,739	34,739	-	34,739	34,739	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES INDIRECT FUNDING							
TOTAL INDIRECT FUNDING		1,279,976	1,182,154	282,774	1,105,078.00	1,105,078.00	205,698.40
TOTAL		\$ 10,838,166	\$ 3,639,061	\$ 885,508	\$ 3,460,714	\$ 3,460,714	\$ 707,161

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

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, 2017. 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 requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

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.

NOTE (3) – INDIRECT COST RATE:

The Luzerne County Transportation Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Luzerne County Transportation Authority
Schedule of Expenditures of Pennsylvania Department
Public Welfare Awards
For the Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Identifying Number	Grand Period	Payments Received			Revenue Recognized		
				Federal	State	Total	Federal	State	Total
U.S. Department of Health and Human Services									
Pass through Pennsylvania Department of Public Welfare: Medical Assistance Program	93.778	n/a	7/1/2016 - 6/30/2017	\$ 225,163.00	\$ 209,187.00	\$ 434,350.00	\$ 213,882.00	\$ 205,494.00	\$ 419,376.00
TOTAL MEDICAL ASSISTANCE PROGRAM				225,163.00	209,187.00	434,350.00	213,882.00	205,494.00	419,376.00
Medical Assistance Transportation Program - Luzerne County	93.778	n/a	7/1/2016 - 6/30/2017	\$ 542,332.00	\$ 542,332.00	\$ 1,084,664.00	\$ 633,596.50	\$ 633,596.50	\$ 1,267,193.00
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE				542,332.00	542,332.00	1,084,664.00	633,596.50	633,596.50	1,267,193.00
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$ 767,495.00	\$ 751,519.00	\$ 1,519,014.00	\$ 847,478.50	\$ 839,090.50	\$ 1,686,569.00

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE AWARDS
JUNE 30, 2017

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, 2017. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 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 (1) – DEPARTMENT OF PUBLIC WELEFARE 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.

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
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - FIXED ROUTE URBAN EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	2,568,262			2,568,262
Other Salaries and Wages	145,895	935,241	549,701	1,630,837
Fringe Benefits	2,525,970	732,209	499,286	3,757,465
Services	-	106,729	187,578	294,307
Fuel and Lubricants	465,978			465,978
Tires and Tubes	70,715			70,715
Other Materials and Supplies	14,974	374,407	21,746	411,127
Utilities			105,862	105,862
Casualty and Liability Costs			393,644	393,644
Taxes			-	-
Purchased Transportation			-	-
Miscellaneous Expenses			20,139	20,139
Expense Transfers	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total System Expenses	<u>5,791,794</u>	<u>2,148,586</u>	<u>1,777,956</u>	<u>9,718,336</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation (private funded assets)				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<u>-</u>
Total Applied Reconciling Items				<u>-</u>
TOTAL OPERATING EXPENSES				<u>9,718,336</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				1,501,929
Other Post-Employment Benefits (OPEB)				108,329
Other Reconciling Items				-
				<u>-</u>
Total Non-applied Reconciling Items				<u>1,610,258</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 11,328,594</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE ADA PARATRANSIT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Admin.</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	287,600	88,492	66,370	442,461
Miscellaneous Expenses			-	-
Expense Transfers	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total System Expenses	<u>287,600</u>	<u>88,492</u>	<u>66,370</u>	<u>442,461</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<u> </u>
Total Applied Reconciling Items				<u> </u>
TOTAL OPERATING EXPENSES				<u>442,461</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				-
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<u> </u>
Total Non-applied Reconciling Items				<u> </u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 442,461</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE SHARED RIDE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	1,146,577			1,146,577
Other Salaries and Wages	2,845	108,323	340,926	452,094
Fringe Benefits	636,944	57,120	200,189	894,253
Services	360	24,092	60,399	84,851
Fuel and Lubricants	263,933	-	-	263,933
Tires and Tubes	43,040	-	-	43,040
Other Materials and Supplies	-	53,864	18,666	72,530
Utilities	-	-	38,450	38,450
Casualty and Liability Costs			128,129	128,129
Taxes			-	-
Purchased Transportation			72,843	72,843
Miscellaneous Expenses			4,234	4,234
Expense Transfers	-	-	-	-
	<u>2,093,699</u>	<u>243,399</u>	<u>863,836</u>	<u>3,200,934</u>
Total System Expenses				
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				1
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<u>1</u>
Total Applied Reconciling Items				
TOTAL OPERATING EXPENSES				<u>3,200,935</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				395,316
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<u>395,316</u>
Total Non-applied Reconciling Items				
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 3,596,251</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON PUBLIC EXPENSES - OTHER TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Non-Shared Ride Paratransit</u>	<u>MATP Non- Shared Ride Paratransit</u>	<u>MATP Mileage 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		276,371		276,371
Miscellaneous Expenses				-
Expense Transfers				-
Mileage Reimbursement			66,383	66,383
MATP-Admin Reimbursement	-	-	-	-
Total System Expenses	-	276,371	66,383	342,754
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				342,754
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				\$ 342,754

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - FIXED ROUTE REVENUES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
Transportation Revenues			
Passenger Fares	1,118,101		1,118,101
Advertising	31,604		31,604
Charter			-
Route Guarantees			-
Other Revenue			-
Jury Duty/Warranties/Other	-		-
Sale of Assets	-		-
Other Revenue/UPWP	<u>28,613</u>	<u>-</u>	<u>28,613</u>
TOTAL REVENUE	<u>1,178,318</u>	<u>-</u>	<u>1,178,318</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - NON-FIXED ROUTE REVENUES-URBAN
FOR THE YEAR ENDED JUNE 30, 2017**

	ADA		Shared Ride 65+		Shared Ride Under 65		Public	Total
	Paratransit	Standard	DAS	Standard	DAS	Vanpool		
Transportation Revenues								
Passenger Fares	\$ 71,154	\$ 72,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,443
Advertising	-	-	-	-	-	-	-	-
Shared-Ride Lottery Trip Reimbursement		582,903						582,903
PwD Trip Reimbursement		-		38,962				38,962
PwD Passenger Fares				8,586				8,586
AAA		10,208						10,208
MH/MR - Shared-Ride Fare Structure		31,107		123,615				154,722
W2W - Shared-Ride Fare Structure								-
MATP - Shared-Ride Fare Structure		19,311		955,380				974,691
Children & Youth				18,598				18,598
HSDf				-				-
OTHER REVENUE								-
User Agencies		449		862,029				862,478
MATP Aide Reimbursements		-		1,826				1,826
Miscellaneous & Interest	-	13,965	-	-	-	-	-	13,965
TOTAL REVENUE	\$ 71,154	\$ 730,232	\$ -	\$ 2,008,996	\$ -	\$ -	\$ -	\$ 2,810,382

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - NON PUBLIC REVENUES - OTHER TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2017**

CONTRACT REVENUE - NON-SHARED RIDE PARATRANSIT

Agency/Sponsor		
MATP - Contract Rate Paratransit Revenue	\$	276,371
W2W - Contract Rate Paratransit Revenue		-
Other Contract Rate Paratransit Revenue		
Other Contracts		28,227
Other Revenue		
MATP - Mileage Reimbursement		66,383
W2W - Other		-
MATP Adjustment		(52,077)
Admin Reimbursement		-
		<hr/>
TOTAL		318,904
Non-Applied Reconciling Items		-
		<hr/>
TOTAL REVENUE	\$	<u>318,904</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
FEDERAL			
Federal Operating Grant	\$ -		\$ -
Federal Capital Grant to Fund Preventative Maintenance Costs	1,914,274		1,914,274
Federal Capital Grant to Fund Capital Costs of Contracting			-
Federal Capital Grant to Fund Associated Capital Maintenance Costs	53,848		53,848
Other Federal Grants for Operating Costs	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Federal Subsidy	<u>1,968,122</u>	<u>-</u>	<u>1,968,122</u>
STATE			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years- State Share	799,709		799,709
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	5,214,381		5,214,381
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>6,014,090</u>	<u>-</u>	<u>6,014,090</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	557,541		557,541
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>265</u>	<u>-</u>	<u>265</u>
Subtotal State Subsidy	<u>557,806</u>	<u>-</u>	<u>557,806</u>
Grand Total Subsidy	<u>\$ 8,540,018</u>	<u>\$ -</u>	<u>\$ 8,540,018</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - NON-FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2017**

Subsidy	ADA	Shared Ride		Public	Total
	<u>Paratransit</u>	<u>Standard</u>	<u>DAS</u>	<u>Vanpool</u>	
Federal Operating Grant	\$	\$	\$	\$	\$ -
Federal Capital Grant to Fund Preventive Maintenance Costs					-
Federal Capital Grant to Fund Capital Costs of Contracting	297,044				297,044
Federal Capital Grant to Fund Associated Capital Maintenance Costs					-
Other Federal Grants for Operating Costs					-
Federal Shared-Ride Subsidy					-
Subtotal Federal Subsidy	<u>297,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,044</u>
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - State Share					-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	67,507	333,117			400,624
Act 3 ASG Grant Amount Charged - State Share					-
Act 3 BSG Grant Amount Charged - State Share					-
Special Operating Grants - State Share		-			-
State Shared-Ride Subsidy					-
Subtotal State Subsidy	<u>67,507</u>	<u>333,117</u>	<u>-</u>	<u>-</u>	<u>400,624</u>
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	6,756				6,756
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	<u>6,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,756</u>
Grand Total Subsidy	<u>\$ 371,307</u>	<u>\$ 333,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 704,424</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - BUDGET SUMMARY
FOR THE YEAR ENDED JUNE 30, 2017

	Non-Fixed Route											Non-Public Other Transportation	Total	
	Fixed Route		ADA Paratransit				Shared Ride				Public Vanpool			
	Urban	Rural	Urban	Rural	Standard Urban	Standard Rural	DAS Urban	DAS Rural	Urban	Rural	Urban			Rural
Total Operating Expenses	9,718,336	-	442,461	-	3,200,935	-	-	-	-	-	-	-	342,754	13,704,486
Total Revenue	1,178,318	-	71,154	-	2,739,228	-	-	-	-	-	-	-	318,904	4,307,604
Operating Deficit	(8,540,018)	-	(371,307)	-	(461,707)	-	-	-	-	-	-	-	(23,850)	(9,396,882)
Total Subsidy	8,540,018	-	371,307	-	333,117	-	-	-	-	-	-	-	-	9,244,442
Applied Operating Result	-	-	-	-	(128,590)	-	-	-	-	-	-	-	(23,850)	(152,440)
Non-Applied Reconciling Items														
Total Non-Applied Reconciling Expense Items	(1,610,258)				(395,316)									(2,005,574)
Total Non-Applied Reconciling Income Items														
Total Non-Applied Reconciling Subsidy Items														
Operating Results per Audit	\$ (1,610,258)	\$ -	\$ -	\$ -	\$ (523,906)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (23,850)	\$ (2,158,014)

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S1 - LOCAL MATCH PROVIDED
FOR THE YEAR ENDED JUNE 30, 2017**

<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	1/23/2017	\$ 280,924
Luzerne County	5/10/2017	280,924
Unassigned Local Match Funding:		-
GRAND TOTAL		<u>\$ 561,848</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S2 - LOCAL MATCH CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2017**

A. Local Match funds available as of 6/30/17	<u>\$ 41,772</u>
B. Local match funds provided during the year ended 6/30/17	<u>561,848</u>
C. Local match operating expenditures for year ended 6/30/17	
a. Act 44 Sec. 1513 Local operating grant charged (prior years) - Municipal Source	-
b. Act 44 Sec. 1513 Local operating grant charged (current year) - Municipal Source	564,297
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 6/30/17 (Sum of C.a. through C.i.)	<u>564,297</u>
E. Local match capital expenditures for year-ended 6/30/17	
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)	2,904
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 6/30/17 (Sum of E.a. through E.k.)	<u>2,904</u>
G. Interest Earned on local funds for year ended 6/30/17	<u>2,450</u>
H. Local match funds available as of 6/30/17 (A+B-D-F+G)	<u>\$ 38,869</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S3 - URBAN PTAF/BSG/ASG CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2017

	ACT 26		ACT 3	
	<u>PTAF</u>	<u>LOCAL SHARE</u>	<u>BSG</u>	<u>ASG</u>
Funds Available from Prior Years	\$ 26,398	\$ 6,673	\$ -	\$ -
Interest Income Earned for Year Ended June 30, 2017	35	-		
Total Funds Available for the Year Ended June 30, 2017	<u>26,433</u>	<u>6,673</u>	<u>-</u>	<u>-</u>
FUND EXPENDITURES				
Used for Operating				
Used for Capital Assistance	(14,504)	(2,904)		
Total Funds Used in Year Ended June 30, 2017	<u>(14,504)</u>	<u>(2,904)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - June 30, 2017	<u>\$ 11,929</u>	<u>\$ 3,769</u>	<u>\$ -</u>	<u>\$ -</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S5 - URBAN SECTION 1513 PROGRAM CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>State Grant</u>	<u>Local Match</u>	<u>Total</u>
A. FY 2016-17 Section 1513 URBAN Grant Agreement	<u>\$ 5,615,005</u>	<u>\$ 561,848</u>	<u>\$ 6,176,853</u>
 URBAN SECTION 1513 GRANT UTILIZATION FOR FISCAL YEAR ENDED JUNE 30, 2017			
1. Section 1513 fund balance as of June 30, 2016	\$ 5,503,655	\$ -	\$ 5,503,655
2. Section 1513 funds received for FY 2016-17	5,615,005	561,848	6,176,853
3. PTAF Section 1513 funds received for FY 2016-17	_____	_____	_____
4. Total Section 1513 funds received for FY 2016-17 (Line 2+3, must agree with A above)	<u>5,615,005</u>	<u>561,848</u>	<u>6,176,853</u>
5. Interest Income earned on Section 1513 funds in FY 2016-17	<u>21,288</u>	<u>2,449</u>	<u>23,737</u>
6. Total Section 1513 funds available in FY 2016-17 (Line 1+4+5)	<u>11,139,948</u>	<u>564,297</u>	<u>11,704,245</u>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2016-17	6,081,598	564,297	6,645,895
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2016-17	333,117		333,117
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2016-17			
10 Section 1513 funds used for Rural non-fixed route operating expenses in FY 2016-17			
11 Section 1513 funds used for Rural capital costs in FY 2016-17 (waiver required)			
12 Section 1513 funds used for Urban capital costs in FY 2016-17 (waiver required)	_____	_____	_____
13 Total Section 1513 funds used in FY 2016-17 (Line 7+8+9+10+11+12)	<u>6,414,715</u>	<u>564,297</u>	<u>6,979,012</u>
14 Section 1513 fund balance as of June 30, 2017 (Line 6 minus 13)	<u>\$ 4,725,233</u>	<u>\$ -</u>	<u>\$ 4,725,233</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
CAPITAL PROJECT SPENDING REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

Capital Project Title:	Shop Equipment	Transit Enhancement - Signage	Security - Closed Circuit TV	Transit Enhancement - Signage	Bus Bay Wash	Computer Hardware and Software	Vehicle Lift	Total Spent	Total Granted Funds	Granted Funds Less Amt Spent
1	\$ 50,014	\$ 4,050	\$ 34,570	\$ 410	\$ -	\$ -	\$ -	\$ 89,044	\$ 89,534	\$ 490
2	Expenditures Through the End of the Prior Fiscal Year									
Sources of Funds for the Current Fiscal Year										
3										
4					19,352	18,366	31,909	69,627	89,888	20,261
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23					4,031	3,826	6,647		18,727	18,727
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34					807	766	1,331	2,904	3,745	841
35										
36										
37										
38										
39										
40										
41										
42										
43										
44										
45										
46					24,190	22,958	39,887	72,531	112,360	39,829
47										
48	50,014	4,050	34,570	410	24,190	22,958	39,887	161,575		
49	50,000	4,124	35,000	410	30,000	40,360	42,000	201,894		
	(14)	74	430		5,810	17,402	2,113	40,319		

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED UPON PROCEDURES

Board of Directors
Luzerne County Transportation Authority
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, 2017 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.*

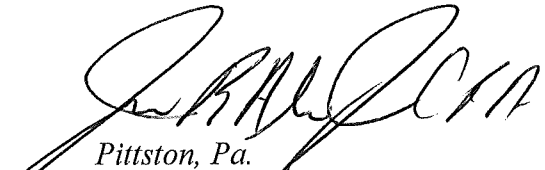
<u>Program Name</u>	<u>Exhibit</u>	<u>Referenced Schedule/Exhibit</u>
Medical Assistance Transportation Program	I & II	Revenue and Expenditures

B. *We have inquired of management regarding adjustments to reported revenues or expenditures, which were reflected on the reports submitted to DPW for the period in question.*

C. *The processes detailed in paragraphs (a) and (b) did not disclose any adjustments and/or findings which have not been reflected on the corresponding schedule.*

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

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



Pittston, Pa.
December 6, 2017

LUZERNE COUNTY TANSPORATION AUTHORITY
EXHIBIT 1 - MEDICAL ASSISTANCE TRANSPORTATION PROGRAM
SCHEDULE OF REVENUES AND EXPENDITURES - LUZERNE COUNTY

Year Ended June 30, 2017

	<u>Reported</u>	<u>Actual</u>
SERVICE DATA		
Expenditures:		
Group I clients	\$ 1,201,254	\$ 1,201,254
Group II clients	<u>65,950</u>	<u>65,950</u>
Total Expenditures	<u>\$ 1,267,204</u>	<u>\$ 1,267,204</u>
ALLOCATION DATA		
Revenues:		
Department of Public Welfare	\$ 1,267,193	\$ 1,267,193
Interest Income	<u>11</u>	<u>11</u>
Total Revenues	<u>\$ 1,267,204</u>	<u>\$ 1,267,204</u>
Funds Expended:		
Operating Costs	\$ 1,267,204	\$ 1,267,204
Administrative Costs	<u>-</u>	<u>-</u>
Excess Revenues Over Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Board of Directors
Luzerne County Transportation Authority
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, 2017, 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 6, 2017.

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.

**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**

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 weakness 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 finding and questioned cost that we consider to be a significant deficiency, as 2017-1.

Compliance and Other Matters

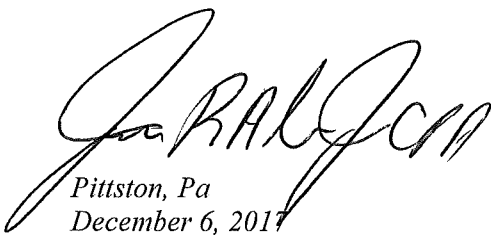
As part of obtaining reasonable assurance about whether Luzerne County Transportation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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.


Pittston, Pa
December 6, 2017

CONCLUDED

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Luzerne County Transportation Authority
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 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, 2017. 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 federal statutes and regulations, and the terms and condition of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-1. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of Luzerne County Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Luzerne County Transportation Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

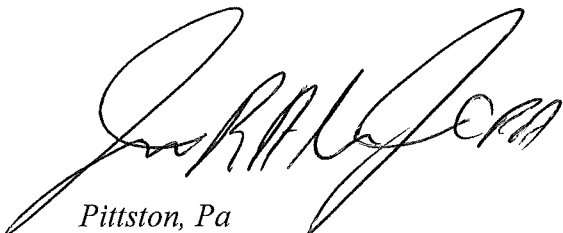
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 weakness 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 finding and questioned cost as items 2017-1 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Pittston, Pa
December 6, 2017

CONCLUDED

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. *The auditor's report expresses an unmodified opinion on the financial statements of the Luzerne County Transportation Authority.*
2. *One significant deficiency relating to the audit of the financial statements are reported in the 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 require to be reported in accordance with **Government Auditing Standards**, were disclosed during the audit.*
4. *One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance for Each Major program and on Internal Control over Compliance required by the Uniform Guidance.*
5. *The auditor's report on compliance for the major federal award programs for the Luzerne County Transportation Authority expresses an unmodified opinion on all major federal programs.*
6. *There were no audit findings that were required to be reported in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) in this schedule.*
7. *The programs tested as major programs included:*
 - 20.507 Federal Transit Capital Improvements*
 - 93.778 Medical Assistance Program Grants*
8. *The threshold for distinguishing Types A and B programs was \$ 750,000.*
9. *Luzerne County Transportation Authority was determined not to be a low risk auditee.*

CONTINUED

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

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

SIGNIFICANT DEFICIENCIES

2017-01 - 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.*

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.*

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

Part III. SCHEDULE OF FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

SIGNIFICANT DEFICIENCIES

2017-01 - Segregation of Duties

As addressed in 2017-01, the Authority's internal control lacks segregation of duties.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

June 30, 2016 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, 2017 audit report, 2017-01.*

IIB and IIIB

CONDITION: *In reviewing the Accounts Payable and Expenditures for the year ended June 30, 2016, various credit card payments were made without board approval..*

STATUS: *The finding was corrected in the June 30, 2017 fiscal year.*

IIC and IIIC

CONDITION: *The adjusted general ledger and financial statements were received by the auditors on 12-9-16. The adjusted general and financial statements should be completed in a timely manner to allow the auditor sufficient time to audit your financial statements by your required due date of 12-31-16*

STATUS: *The finding was corrected in the June 30, 2017 fiscal year.*