
LUZERNE COUNTY TRANSPORTATION AUTHORITY

*REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

FOR THE YEAR ENDED JUNE 30, 2018

Prepared By:

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018

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LUZERNE COUNTY TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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, 2018, 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.

Change in Accounting Principle

As described in Note 18 to the financial statements, effective July 1, 2017, the Luzerne County Transportation Authority adopted new accounting guidance, the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the schedules relating to pensions on 35-42, and Changes in the Authority's Total OPEB Liability and Related Ratio Schedule on page 43, 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.

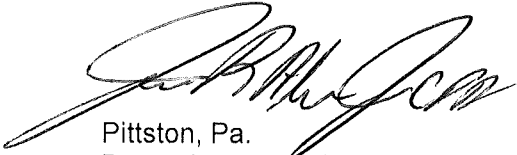
Other Information

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 44-50 and the supplemental schedules on pages 55-69 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 51 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* and is also not a part of the basic financial statements. The accompanying schedule of expenditures of the Pennsylvania Department of Welfare Awards on page 53 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Luzerne County Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Luzerne County Transportation Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Luzerne County Transportation Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'J. B. Jones', is written over the typed text.

Pittston, Pa.
December 20, 2018

LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2018
(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, 2018. 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 all 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 \$3,354,237. This was caused, in part, by the new requirement to recognize the adoption of certain post-employment benefits which amounted to \$1,678,940. Increases in certain operating expenses as well as depreciation, which is an expense that is not eligible for operating funding, amounting to \$1,690,097 and subsequently offset by a small amount Capital funding in the amount of \$42,932.
- The Authority's operating revenues decreased from \$4,293,754 in 2017 to \$3,995,679 in 2018. This decrease of \$298,075 amounts to an 7% decrease in operating revenues. This is an increase from last years reported 2% decrease in operating revenue. Although Fixed Route fare paying revenue has increased, LCTA began a new process of recognizing STEP revenue which essentially eliminated the recognition from Operating Revenue and moved it to subsidy. This change results in nearly a \$400,000 shift in reporting structure.
- Operating expenses decreased from \$15,710,061 in 2017 to \$14,858,886 in 2018. The \$851,175 change amounted to a 5% decrease. Operating expenses of the Fixed Route Division decreased by \$862,739 while the Shared Ride operating expenses increased by \$454,027. ADA operating expenses amounting to \$442,461 were not recognized this year for the reason stated in the prior bullet. The Fixed Route decrease was recognized this year due to a one-time recognition of pension expense last year. The Shared Ride increase was caused by a change in allocation procedure of wages and benefits to administrative and maintenance employees that moved these expenses to the Shared Ride Division from Fixed Route.
- The Fixed Route Division had a net loss before capital funding of \$1,397,627 for the year ended June 30, 2018 after applying available subsidies of \$7,699,938. This net loss equals the amount of depreciation and OPEB expenses taken. This division received \$42,932 of capital grant funding.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2018
(UNAUDITED)**

- The Shared Ride Division had a net loss before capital funding of \$320,603 for the year ended June 30, 2018 after applying available subsidies of \$1,445,040. All of Shared Rides Operating Loss (\$840,551) was funded by current year 1513 funding. This division received \$0 of capital grant funding.
- Pennsylvania Act 44 State Operating Assistance accounts for over 48% of the Authority's operating revenues. The Act 44 funding decreased from \$6,414,715 in fiscal 2017 to \$6,311,556 in 2018. This is largely due to a 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.
- The Fixed Route Division carried approximately 1,078,027 passengers and recorded in excess of 1,165,375 vehicle miles during the year ended June 30, 2018.
- The Shared- Ride Division carried approximately 3,980 unduplicated passengers who took approximately 168,233 trips during the year ended June 30, 2018.

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 details 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 2018 changes in cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities to the fiscal year end 2018 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, 2018
(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 \$2,890,524 as of June 30, 2018 compared to \$6,244,761 at June 30, 2017. This is a decrease of \$3,354,238.

A condensed summary of the Authority's statement of net position at June 30, 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u>
Assets		
Current and Other Assets	\$ 6,144,721	\$ 6,592,129
Capital Assets, Net	<u>9,194,619</u>	<u>10,834,171</u>
TOTAL ASSETS	<u>15,339,340</u>	<u>17,426,300</u>
Deferred Outflows of Resources	<u>713,260</u>	<u>743,425</u>
Current and Other Liabilities	<u>12,383,263</u>	<u>11,820,090</u>
Deferred Inflows of Resources	<u>778,813</u>	<u>104,874</u>
Net Position		
Invested in Capital Assets	9,194,619	10,734,171
Unrestricted	<u>(6,304,095)</u>	<u>(4,589,410)</u>
TOTAL NET POSITION	<u>\$ 2,890,524</u>	<u>\$ 6,244,761</u>

The largest portion of the Authority's net position at June 30, 2018 was its investment in capital assets (land, buildings, revenue vehicles, equipment). This totaled \$9,194,619 or 60% 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 \$4,362,322, of which \$4,265,307 is restricted by the Commonwealth of Pennsylvania to be utilized only for future purchases of capital assets and operating funding. Large liabilities include \$4,297,528 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, 2018
(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, 2018 and 2017 is presented below:

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Passenger Revenues	\$ 1,427,953	\$ 1,261,544
Government Fare Programs	2,031,810	1,987,605
Other Operating Revenues	<u>535,916</u>	<u>1,044,605</u>
TOTAL OPERATING REVENUES	<u>3,995,679</u>	<u>4,293,754</u>
OPERATING EXPENSES		
Salaries and Wages	5,904,046	5,797,770
Fringe Benefits	4,291,925	4,651,718
Material and Supplies	1,412,291	1,327,323
Purchased Transportation	389,373	791,675
Depreciation	1,690,097	1,897,245
Other Operating Expenses	<u>1,171,154</u>	<u>1,244,330</u>
TOTAL OPERATING EXPENSES	<u>14,858,886</u>	<u>15,710,061</u>
NON-OPERATING REVENUES		
Operating and Planning Grants		
Federal	2,213,986	2,265,166
Commonwealth of Pennsylvania	6,311,556	6,414,714
Luzerne County	593,127	564,562
Other Miscellaneous Income	<u>26,309</u>	<u>13,850</u>
TOTAL NON-OPERATING REVENUES	<u>9,144,978</u>	<u>9,258,292</u>
CAPITAL GRANT FUNDING		
Federal	40,435	339,148
Commonwealth of Pennsylvania	2,080	237,364
Luzerne County	<u>417</u>	<u>2,904</u>
TOTAL CAPITAL GRANT FUNDING	<u>42,932</u>	<u>579,416</u>
DECREASE IN NET POSITION	<u>\$ (1,675,297)</u>	<u>\$ (1,578,599)</u>

2018 Passenger revenues accounted for 36% of operating revenues and government fare programs accounted for 51%. Overall government operating, planning and capital grants accounted for 85% of all the Authority's revenues.

The Authority's major expenses are wages and fringe benefits. These account for 69% of the Authority's operating expenses.

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2018
(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, 2018 and 2017, stated at cost, is as follows:

	<u>2018</u>	<u>2017</u>
Revenue Vehicles	\$ 17,900,204	\$ 17,900,204
Service Vehicles	206,550	230,758
Shelters and Bus Stop Signs	154,796	154,796
Buildings	7,080,633	7,079,183
Shop and Garage Equipment	767,588	767,588
Radios	105,833	105,834
Fareboxes	658,045	658,045
Destination Signs	827,716	811,003
Computer Equipment	387,306	359,736
Office Equipment	47,840	47,840
Land	<u>132,716</u>	<u>132,716</u>
TOTAL CAPITAL ASSETS – AT COST	<u>\$ 28,269,227</u>	<u>\$ 28,247,703</u>

During the year ended June 30, 2018, the Authority purchased \$50,545 of capital assets while selling or retiring assets, after the end of their useful lives, with a total cost basis of \$29,021.

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. Pennsylvania Act 44 funding continues to require annual increases in the local match. It will require a full 15% match at some point in the future. If 15% was currently being contributed, this would require a local match of over \$900,000. 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, 2018

ASSETS

CURRENT ASSETS	
Cash	\$ 97,015
Restricted Cash - Act 26	20,065
Restricted Cash - State Section 1513	4,245,242
Accounts Receivable - Trade	300,796
Capital and Technical Assistance Grants Receivable	745,534
Commonwealth of Pennsylvania Medical Assistance Program Receivable	-
Miscellaneous Receivables	6,260
Inventories	407,833
Prepaid Insurance	<u>321,976</u>
TOTAL CURRENT ASSETS	<u>6,144,721</u>
CAPITAL ASSETS	
Capital Assets not being depreciated	132,716
Capital Assets being depreciated	<u>28,136,511</u>
	28,269,227
Less: Accumulated Depreciation	<u>19,074,608</u>
TOTAL CAPITAL ASSETS	<u>9,194,619</u>
TOTAL ASSETS	<u>\$ 15,339,340</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Other Post Employment Benefits	\$ 160,773
Deferred Outflows Related to Pensions	<u>552,487</u>
Total Deferred Outflows of Resources	<u>\$ 713,260</u>

LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	\$ 306,333
Commonwealth of Pennsylvania Medical Assistance Program Payable	57,370
Accrued Salaries and Wages	239,472
Accrued Pension	150,218
Accrued Workers' Compensation	24,659
Reserve for Health Care Claims	150,839
Deferred Revenue	
PennDOT Act 26 Capital	13,510
PennDOT Act 44	4,245,242
Luzerne County Act 26 Match	6,555
Luzerne County Unassigned	32,221
Unredeemed Fares	<u>139,348</u>
TOTAL CURRENT LIABILITIES	<u>5,365,767</u>
OTHER LIABILITIES	
Deferred Pension Liability	4,521,400
Other Post Employment Benefit Liability	1,974,756
Accrued Compensated Absences	<u>521,340</u>
TOTAL OTHER LIABILITIES	<u>7,017,496</u>
TOTAL LIABILITIES	<u>\$ 12,383,263</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Other Post Employment Benefits	\$ 132,711
Deferred Inflows Related to Pensions	646,102
Total Deferred Inflows of Resources	<u>\$ 778,813</u>

NET POSITION

NET INVESTED IN CAPITAL ASSETS	\$ 9,194,619
UNRESTRICTED	<u>(6,304,095)</u>
TOTAL NET POSITION	<u>\$ 2,890,524</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES

Passenger Fares	\$ 1,427,953
State Lottery Shared Ride Program	598,690
State Persons with Disabilities Program	26,338
Area Agency on Aging	10,140
Mental Health/Intellectual & Development Disabilities	102,121
Medical Assistance Transportation Program	1,294,521
Other Contract Revenue	441,405
Advertising Income	66,792
Miscellaneous Income	27,719
	27,719
TOTAL OPERATING REVENUES	3,995,679

OPERATING EXPENSES

Operators Salaries and Wages	3,714,707
Other Salaries and Wages	2,189,339
Fringe Benefits	4,291,925
Services	353,003
Fuel and Lubricants	749,274
Tires and Tubes	101,678
Other Materials and Supplies	561,339
Utilities	148,133
Casualty and Liability Costs	532,514
Taxes	-
Purchased Transportation	389,373
Miscellaneous Expenses	54,912
Mileage Reimbursements	54,460
Other Post Retirement Benefits	28,132
Depreciation	1,690,097
	1,690,097
TOTAL OPERATING EXPENSES	14,858,886

LOSS FROM OPERATIONS (10,863,207)

NON-OPERATING REVENUE (EXPENSES)

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

FEDERAL GOVERNMENT	2,213,986
COMMONWEALTH OF PENNSYLVANIA SECTION 1513 ACT 44	104,971
LUZERNE COUNTY ACT 44 MATCHING FUNDS	10,667

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING GRANTS:	
COMMONWEALTH OF PENNSYLVANIA SECTION 1513 ACT 44	6,206,585
LUZERNE COUNTY ACT 44 MATCHING FUNDS	582,460
LUZERNE COUNTY SPECIAL OPERATING GRANT	<u>-</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	9,118,669
 OTHER PUBLIC/PRIVATE SOURCES:	
GAIN ON SALE OF CAPITAL ASSETS	<u>26,309</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>9,144,978</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(1,718,229)</u>
 CAPITAL GRANT FUNDING	
FEDERAL	40,435
COMMONWEALTH OF PENNSYLVANIA ACT 26 PTAF	2,080
COMMONWEALTH OF PENNSYLVANIA 1516 CTC	-
LUZERNE COUNTY	<u>417</u>
TOTAL CAPITAL GRANT FUNDING	<u>42,932</u>
CHANGE IN NET POSITION	<u>(1,675,297)</u>
 NET POSITION - BEGINNING OF YEAR	 6,244,761
Restatement for Adoption of New Other Post Employment Benefits Standards	<u>(1,678,940)</u>
NET POSITION - BEGINNING OF YEAR - as restated	<u>4,565,821</u>
 NET POSITION - END OF YEAR	 <u>\$ 2,890,524</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,984,965
Cash Payments to Suppliers for Goods and Services	(2,629,843)
Cash Payments to Employees for Services	(10,284,029)
Other Operating Cash Receipts	<u>39,959</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(8,888,948)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from Operating Grants	<u>8,399,880</u>
NET CASH PROVIDED BY NONCAPITAL FINANCIAL ACTIVITIES	<u>8,399,880</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants Funding Provided (Used)	41,147
Proceeds from Sale of Equipment	26,309
Purchase of Capital Assets	<u>(50,545)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	<u>16,911</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(472,157)
CASH - BEGINNING OF YEAR	<u>4,834,479</u>
CASH - END OF YEAR	<u><u>\$ 4,362,322</u></u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

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

OPERATING LOSS	<u>\$ (10,863,207)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,690,097
Deferred Outflows of Resources	30,165
Deferred Inflows of Resources	673,939
Changes in Assets and Liabilities:	
Accounts Receivable	34,283
Miscellaneous Receivables	12,240
Medical Assistance Program Receivable	262,059
Inventories	(43,470)
Prepaid Insurance	(47,790)
Accounts Payable	114,806
Medical Assistance Program Payable	57,370
Accrued Salaries and Wages	24,066
Accrued Payroll Taxes and Employee Funds	-
Accrued Pension	617
Accrued Workers' Compensation	(15,603)
Reserve for Health Care Claims	961
Unredeemed Fares	(17,278)
Deferred Pension Liability	(866,638)
Other Post Retirement Benefit Liability	56,194
Accrued Compensated Absences	<u>8,241</u>
 TOTAL ADJUSTMENTS	 <u>1,974,259</u>
 NET CASH USED FOR OPERATING ACTIVITIES	 <u>\$ (8,888,948)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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

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.

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.

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

C. Funding (continued)

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

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.

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:

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

F. Capital Assets (continued)

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.

J. Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period not recognized as an outflow of resources until that period. A deferred inflow of resources represents an acquisition of net position that applies to a future period not recognized as an inflow of resources until that future period.

K. 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."

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

L. 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.

M. Advertising Costs

The Authority follows the policy of charging the cost of advertising to expenses as incurred.

N. Subsequent Events

The Authority has evaluated subsequent events through December 20, 2018, the date the financial statements were issued. There were no material events subsequent to June 30, 2018.

NOTE (2) – BUDGET MATTERS:

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

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (3) – CASH AND INVESTMENTS (CONTINUED):

As of June 30, 2018, the carrying amounts of the Authority's cash balances were \$4,362,322, and the bank balances were \$4,478,842, of which \$4,228,842 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, 2018.

As of June 30, 2018, the Authority had no investments.

NOTE (4) – RESTRICTED CASH:

Cash in the amount of \$20,065 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 \$ 4,245,242 is restricted to the funding of operating assistance in accordance with Commonwealth of Pennsylvania Act 44 of 2007, State Section 1513 (See Note 10).

NOTE (5) – CAPITAL ASSISTANCE GRANTS RECEIVABLE:

As of June 30, 2018, the following amounts are due on capital projects:

Federal Government	\$	745,534
Commonwealth of PA		-
Total	\$	<u>745,534</u>

NOTE (6) – INVENTORIES:

Components of inventory as of June 30, 2018, are as follows:

Parts	\$	386,415
Fuel		<u>21,418</u>
Total	\$	<u>407,833</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (7) – CAPITAL ASSETS:

The components of fixed assets as of June 30, 2018, are as follows:

	Cost	Accumulated Depreciation	Book Value
Capital assets not being depreciated:			
Land	\$ 132,716	\$ -	\$ 132,716
Capital assets being depreciated:			
Revenue Vehicles	17,862,294	13,388,393	4,473,901
Service Vehicles	206,550	206,550	-
Shelters and Bus Stop Signs	154,796	154,796	-
Structures and Improvements	7,080,633	3,310,345	3,770,288
Installed Equipment	376,492	327,751	48,741
Shop and Garage Equipment	247,911	182,843	65,068
Van Service Equipment	143,185	81,610	61,575
Radios	75,125	66,267	8,858
Fareboxes	658,045	647,187	10,858
Signs and Enunciator	827,716	410,546	417,170
Van Communication	30,708	30,708	-
Computer Equipment	387,306	203,307	183,999
Office Equipment	<u>85,750</u>	<u>64,305</u>	<u>21,445</u>
Total capital assets being depreciated, net	\$ 28,136,511	\$ 1,974,608	\$ 9,061,903
Total capital assets, net	\$ 28,269,227	\$ 19,074,608	\$ 9,194,619

Total depreciation for the year ended June 30, 2018 was \$1,690,097.

The following schedule summarizes the changes in fixed assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets	\$ 28,247,703	\$ 50,545	\$ (29,021)	\$ 28,269,227
Accumulated Depreciation	<u>(17,413,532)</u>	<u>(1,690,097)</u>	<u>29,021</u>	<u>(19,074,608)</u>
	\$ 10,834,171	\$ (1,639,552)	\$ -	\$ 9,194,619

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

As of June 30, 2018, 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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 \$78 and was also deferred. Act 26 funding utilized for capital expenditures during the year was \$(1,503). This resulted in deferred revenue as of June 30, 2018, in the amount of \$13,510.

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.

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 \$ 4,725,233. The amount received during the fiscal year ended June 30, 2018 was \$5,806,543. Interest earned amounted to \$ 28,930 and was also deferred. Funding utilized for asset maintenance and operating assistance amounted to \$6,315,464. This resulted in deferred revenue as of June 30, 2018, in the amount of \$4,245,242.

NOTE (11) –UNREDEEMED FARES:

Unredeemed fares include unused tickets sold under the S.T.E.P. program, PWD program and the lottery program administered through the shared ride division of the Authority. As of June 30, 2018, the amounts were as follows:

S.T.E.P. Program	\$	39,367
PWD Program		4,937
Lottery Program		95,044
Total	\$	<u>139,348</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018, is \$521,340.

NOTE (13) –POSTEMPLOYEMENT BENEFITS:

General Information about the OPEB Plan

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.

Benefits provided:

The Authority classifies employees in the following categories: Fixed Route Union Drivers, Non-Union, Board Members and Shared Ride Drivers Union. Contribution requirements are negotiated between the Authority and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. FIXED ROUTE UNION DRIVERS

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
a) Health coverage benefits	Must meet all of the following: <ul style="list-style-type: none"> • Retire on or after May 1, 2006 • 10 or more years of service 	<ul style="list-style-type: none"> • Coverage: Medical, Prescription Drug, Dental and Vision • Premium Sharing: Authority pays 85% of Medical and Prescription Drug premium and 100% of Dental and Vision premium for up to 3 years. Retirees can opt out of health coverage and receive a lump sum cash payment based on age: 1) \$5,000 if age 62 or younger, 2) \$3,333 if age 63 or 3) \$1,666 if age 64. • Dependents: Spouses and Family Included. 	Coverage is provided for 3 years or until the attainment of Medicare age, whichever is less

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (13) –POSTEMPLOYMENT BENEFITS (CONTINUED):

General Information about the OPEB Plan (continued)

Benefits provided (continued)

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION																
b) Life insurance benefits	Must qualify for retirement under the Luzerne County Transportation Authority Union Employees' Pension Plan	<ul style="list-style-type: none"> • Coverage: Life Insurance • Premium Sharing: Authority pays the full premium for Life Insurance of an amount determined by the date of retirement: <table style="margin-left: 20px; border: none;"> <tr> <td>6/ 1/1973 – 10/1/1985</td> <td>\$500</td> </tr> <tr> <td>10/ 1/1985 – 10/1/1999</td> <td>\$1,000</td> </tr> <tr> <td>10/ 1/1999 – 3/25/2003</td> <td>\$2,000</td> </tr> <tr> <td>3/25/2003 – 4/25/2006</td> <td>\$3,500</td> </tr> <tr> <td>4/25/2006 – 10/1/2008</td> <td>\$4,000</td> </tr> <tr> <td>10/1/2008 – 10/1/2012</td> <td>\$4,300</td> </tr> <tr> <td>10/1/2012 – 10/1/2015</td> <td>\$5,000</td> </tr> <tr> <td>After 10/1/2015:</td> <td>\$10,000</td> </tr> </table> • Dependents: No spouses or dependents are covered 	6/ 1/1973 – 10/1/1985	\$500	10/ 1/1985 – 10/1/1999	\$1,000	10/ 1/1999 – 3/25/2003	\$2,000	3/25/2003 – 4/25/2006	\$3,500	4/25/2006 – 10/1/2008	\$4,000	10/1/2008 – 10/1/2012	\$4,300	10/1/2012 – 10/1/2015	\$5,000	After 10/1/2015:	\$10,000	Coverage is provided for life
6/ 1/1973 – 10/1/1985	\$500																		
10/ 1/1985 – 10/1/1999	\$1,000																		
10/ 1/1999 – 3/25/2003	\$2,000																		
3/25/2003 – 4/25/2006	\$3,500																		
4/25/2006 – 10/1/2008	\$4,000																		
10/1/2008 – 10/1/2012	\$4,300																		
10/1/2012 – 10/1/2015	\$5,000																		
After 10/1/2015:	\$10,000																		

II. NON-UNION

a) Health coverage benefits	Same as 1a	Based on past practice, same as 1a	Same as 1a
b) Live insurance benefits	Must qualify for retirement under the Luzerne County Transportation Authority Non-Union Employees Pension Plan	Based on past practice, same as 1b	Same as 1b

III. BOARD MEMBERS

	Expiration of term	<ul style="list-style-type: none"> • Coverage: Life Insurance • Premium Sharing: Authority pays the full premium for Life Insurance of an amount of \$10,000 • Dependents: No spouses or dependents are covered 	Coverage is provided for life
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IV. SHARED REIDE DRIVERS UNION

	N/A	Not Eligible for Benefits	N/A
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LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE (13) –POSTEMPLOYEMENT BENEFITS (CONTINUED):

General Information about the OPEB Plan (continued)

Benefits provided (continued)

Luzerne County Transportation Authority Union Employees' Pension Plan: A member qualified for normal retirement after attainment of age 62 and completion of five years of service. A member is eligible for early retirement after attainment of age 55.

Luzerne County Transportation Authority Non-Union Employees' Pension Plan: A member qualified for normal retirement after attainment of age 65. A member is eligible for early retirement after attainment of age 55 and completion of ten years of service.

Employees covered by benefit terms

At June 30, 2018 the following employees were covered by the benefit terms:

Retired Participants	59
Participants	<u>105</u>
Total Members	<u>164</u>

Total OPEB Liability

The Authority's total OPEB liability of \$1,974,756 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied dot all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases:	
Non-Union employees	5.00%
Union employees	4.00%
Discount rate	3.13%
Healthcare cost trend rates	
2017	6.00%
2018 through 2023	5.40%
Retirees' contributions	Assumed to increase at the same rate as the "Healthcare cost trend rate"

The discount rate was based on S & P Municipal Bond 20 Year High Grade Rate Index at July 1, 2017

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (13) –POSTEMPLOYMENT BENEFITS (CONTINUED):

Total OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs (continued):

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate.

The actuarial assumptions were selected using input from the Authority based on actual experience.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2016	\$ 2,035,096
Changes for the year:	
Service Cost	168,778
Interest	53,305
Changes in Experience	(79,926)
Changes in Assumptions	(85,963)
Contributions - employer	(393,465)
Contributions – member	(137,147)
Benefit payments	<u>(116,534)</u>
Net Changes	<u>(60,340)</u>
Balance at July 1, 2017	<u><u>\$ 1,974,756</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.49 percent in 2017 to 3.13 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Authority, as well as the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage- point higher than the current discount rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	\$ 2,126,590	\$ 1,974,756	\$ 1,840,529

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (13) –POSTEMPLOYMENT BENEFITS (CONTINUED):

Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB Liability of the Authority, as well as what the Authority's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percent-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,856,610	\$ 1,974,756	\$ 2,109,773

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

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$188,905. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 63,941
Benefit payments made subsequent to the measurement date	160,773	-
Changes of assumptions or other inputs	<u>-</u>	<u>68,770</u>
Total	<u>\$ 160,773</u>	<u>\$ 132,711</u>

The \$160,773 reported as deferred outflows of resources related to OPEB obligations resulting from benefits payments made subsequent to the measurement date will be recognized as a reductions of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (33,178)
2020	(33,178)
2021	(33,178)
2022	<u>(33,177)</u>
	<u>\$ (132,711)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 was \$159,807.

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.

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

Defined Benefit Plan - Union Employee's Pension Plan (Fixed Route) (continued)

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, 2017

Inactive Members or Beneficiaries Currently Receiving Benefits	60
Inactive Members Entitled to but not yet Receiving Benefits	4
Active Members	<u>71</u> *
Total Members	<u>135</u>

* Includes 1 Transferred Member

Net Pension liability

The net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. 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, 2017, was determined using the following Economic assumptions, applied to all periods included in the measurement:

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

Defined Benefit Plan - Union Employee's Pension Plan (Fixed Route) (continued)

Actuarial Assumptions (continued)

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>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	60.00%	5.50% - 7.50%
Fixed Income	35.00%	1.00% - 3.00%
Cash	5.00%	0.00% - 1.00%

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, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

Defined Benefit Plan - Union Employee's Pension Plan (Fixed Route) (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	\$ 6,188,573	\$ 2,406,767	\$ 3,781,806
Changes for the year:			
Service Cost	108,227	-	108,227
Interest	492,278	-	492,278
Changes in Benefit Terms		-	-
Changes in Experience	(278,593)	-	(278,596)
Changes in Assumptions	-	-	-
Contributions - employer	-	393,465	(393,465)
Contributions – member	-	137,147	(137,147)
Net Investment Income	-	284,761	(284,761)
Benefit payments, including refunds	(453,386)	(431,218)	-
Administration Expense	-	(18,615)	18,615
Other Charges	-	-	-
Net Changes	<u>(131,477)</u>	<u>343,372</u>	<u>474,849</u>
Balance at December 31, 2017	<u>\$ 6,057,096</u>	<u>\$ 2,750,139</u>	<u>\$ 3,306,957</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:

	1% Decrease (7.50%)	Current Discount Rate (8.50%)	1% Increase (9.50%)
Plan's Net Pension Liability	\$ 3,776,161	\$ 3,306,957	\$ 2,895,346

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

Defined Benefit Plan - Union Employee's Pension Plan (Fixed Route) (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense - For the year ended June 30, 2018, the Authority recognized pension expense of \$277,866.

Deferred outflows of resources and deferred inflows of resources - For the year ended June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 292,792
Contributions subsequent to measurement date	136,055	-
Net differences between projected and actual earnings on pension plan investments	205,760	62,156
Total	\$ 341,815	\$ 354,948

Contributions subsequent to the measurement date will be recorded as a reduction to the pension liability during the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ 2,958
2020	(30,255)
2021	(50,632)
2022	(71,259)
	\$ (149,188)

Payable to the Pension Plan

At June 30, 2018, the Authority reported a payable of \$6,551 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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, 2018

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.

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

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

Vesting

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

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

Members contribute 3% of compensation

Member contributions are credited with 8.0% annual interest.

Plan Membership at December 31, 2017

Inactive Members or Beneficiaries Currently Receiving Benefits	19
Inactive Members Entitled to but not yet Receiving Benefits	2
Active Members	<u>26</u>
Total Members	<u>47</u>

Net Pension Liability

The net pension liability was measured as of December 31, 2017 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

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

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

Defined Benefit Plan – Non-Union Employee’s Pension Plan (Continued)

Actuarial Assumptions (continued)

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

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

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, 2018

NOTE (14) – PENSION PLAN (CONTINUED):

Defined Benefit Plan – Non-Union Employee’s Pension Plan (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2016	\$ 2,965,043	\$ 1,358,811	\$ 1,606,232
Changes for the year:		-	
Service Cost	145,676	-	145,676
Interest	217,470	-	217,470
Changes in Benefit Terms	-	-	-
Changes in Experience	(289,901)	-	(289,901)
Changes in Assumptions	-	-	-
Contributions - employer	-	286,063	(286,063)
Contributions – member	-	35,120	(35,120)
Net Investment Income	-	154,751	(154,751)
Benefit payments, including refunds	(204,884)	(204,884)	-
Administration Expense	-	(10,900)	10,900
Other Charges	-	-	-
Net Changes	<u>(131,639)</u>	<u>260,150</u>	<u>391,789</u>
Balance at December 31, 2017	<u>\$ 2,833,404</u>	<u>\$ 1,618,961</u>	<u>\$ 1,214,443</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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability	\$ 1,486,750	\$ 1,214,443	\$ 981,176

LUZERNE COUNTY TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE (14) –PENSION PLAN (CONTINUED):

Defined Benefit Plan – Non-Union Employee’s 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, 2018, the Authority recognized pension expense of \$ 256,127.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,010	\$ 257,690
Net differences between projected and actual earnings on pension plan investments	103,662	33,464
Total	\$ 210,672	\$ 291,154

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

Year ending June 30:	
2019	\$ 30,120
2020	15,727
2021	(10,411)
2022	(22,742)
2023	(14,376)
Thereafter	(78,800)
	\$ (80,482)

Payable to the Pension Plan

At June 30, 2018, the Authority reported a payable of \$143,668 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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, 2018

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, 2018, 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, 2018, the Authority had a claims liability for its employee benefit plan. Changes in the claims liability are as follows:

Claims Liability Beginning of Year	Claims and changes in estimates	Claim Payments	Claims Liability End of Year
\$ 149,878	\$ 1,894,743	\$ 1,893,782	\$ 150,839

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE (18) – RESTATEMENT OF BEGINNING NET POSITION

The Authority's beginning net position has been restated to properly reflect the effect of the implementation of GASB 75. The following discloses the restatement of net position as of the beginning of the fiscal year:

Net Position at June 30, 2017	6,244,761
Restatement for:	
Deferred Outflow – OPEB contributions made subsequent to the measurement date	116,534
OPEB Liability for adoption of GASB 75	<u>(1,795,474)</u>
Net Position at June 30, 2017 - restated	<u>4,565,821</u>

REQUIRED SUPPLEMENTARY INFORMATION

Luzerne County Transportation Authority

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

	2018*	2017*	2016*
<u>Total Pension Liability:</u>			
Service cost	\$ 108,227	\$ 84,014	\$ 80,783
Interest	492,278	466,842	456,979
Changes in benefit terms	-	445,078	
Differences between expected and actual experience	(278,596)	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds	(453,386)	(431,218)	(418,690)
Net changes in Total Pension Liability	(131,477)	564,716	119,072
Total Pension Liability – Beginning	6,188,573	5,623,857	5,504,785
Total Pension Liability – Ending (a)	<u>6,057,096</u>	<u>\$ 6,188,573</u>	<u>5,623,857</u>
<u>Plan Fiduciary Net Position</u>			
Contributions – employer	393,465	\$ 301,669	\$ 256,439
Contributions – member	137,147	128,885	103,572
Net investment income (loss)	284,761	93,982	(70,052)
Benefit payments, including refunds	(453,386)	(431,218)	(418,690)
Administrative expense	(18,615)	(11,800)	(11,900)
Net Change in Plan Fiduciary Net Position		81,518	(140,631)
Plan Fiduciary Net Position – Beginning	343,372		
Plan Fiduciary Net Position – Ending (b)	<u>2,406,767</u>	<u>2,325,249</u>	<u>2,465,880</u>
Net Pension Liability – Ending (a – b)	<u>\$ 3,306,957</u>	<u>\$ 3,781,806</u>	<u>\$ 3,298,608</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.45%	38.89%	41.35%
Covered Employee Payroll	\$ 3,826,543	\$ 3,605,122	\$ 3,533,912
Net Pension Liability as a Percentage of Covered Employee Payroll	86.42%	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

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>
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%
2017	284,886	393,465	(108,579)	3,826,543	10.28%

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:	1/1/2015
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Closed
Remaining Amortization Period	13 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

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

	2018*	2017*	2016*
<u>Total Pension Liability:</u>			
Service cost	\$ 145,676	\$ 150,824	\$ 143,642
Interest	217,470	229,797	219,154
Changes in benefit terms	-	-	-
Changes for experience	(289,901)	-	-
Changes of assumptions	-	-	-
Benefit payments, including refunds	<u>(204,884)</u>	<u>(274,425)</u>	<u>(199,469)</u>
Net changes in Total Pension Liability	(131,639)	106,196	163,327
Total Pension Liability – Beginning	<u>2,965,043</u>	<u>2,858,847</u>	<u>2,695,520</u>
Total Pension Liability – Ending (a)	<u>2,833,404</u>	<u>\$ 2,965,043</u>	<u>2,858,847</u>
<u>Plan Fiduciary Net Position</u>			
Contributions –employer	286,063	\$ 288,164	\$ 297,426
Contributions – member	35,120	32,539	31,437
Net investment income (loss)	154,751	42,025	(31,071)
Benefit payments, including refunds	(204,884)	(274,425)	(199,469)
Administrative expense	(10,900)	<u>(4,700)</u>	<u>(7,200)</u>
Net Change in Plan Fiduciary Net Position	260,150	83,603	91,123
Plan Fiduciary Net Position – Beginning	<u>1,358,811</u>	<u>1,275,208</u>	<u>1,184,085</u>
Plan Fiduciary Net Position – Ending (b)	<u>1,618,961</u>	<u>\$ 1,358,811</u>	<u>\$ 1,275,208</u>
Net Pension Liability – Ending (a – b)	<u>1,214,443</u>	<u>\$ 1,606,232</u>	<u>\$ 1,583,639</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.14%	45.83%	44.61%
Covered Employee Payroll	1,199,354	\$ 1,061,963	\$ 1,015,021
Net Pension Liability as a Percentage of Covered Employee Payroll	101.25%	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

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>
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%
2017	\$ 286,063	\$ 286,063	\$ -	1,199,354	23.85%

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:	1/1/2015
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Closed
Remaining Amortization Period	12 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 1/1/2015.

Luzerne County Transportation Authority

Schedule of Changes in Authority's Total OPEB Liability and Related Ratios

	2018*
Total OPEB Liability:	
Service cost	\$ 168,778
Interest	53,305
Changes in benefit terms	-
Differences between expected and actual experience	(79,926)
Changes of assumptions and other inputs	(85,963)
Benefit payments, including refunds	(116,534)
Net changes in Total Pension Liability	(60,340)
Total OPEB Liability – Beginning	2,035,096
Total OPEB Liability – Ending	\$ 1,974,756
 Covered Employee Payroll	 \$ 4,770,059
Total OPEB Liability as a Percentage of Covered Employee Payroll	41.40%

* 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

NOTES TO SCHEDULE:

Changes of Benefit Terms
None

Changes of assumptions
Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period

2017	2.49%
2018	3.13%

SUPPLEMENTARY INFORMATION

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUE:

PASSENGER REVENUE

FULL ADULT FARES	\$ 536,381
FULL FARE TRANSFERS	39,222
REDUCED FARE TRANSFERS	4,538
31 DAY PASSES	286,811
20 RIDE PASSES	97,695
SHORT FARES	-
10 RIDE PASSES	56,878
1 DAY PASSES	129,632
LCTA/COLTS 31	4,110
1 RIDE PASSES	1,538
STUDENT PASSES	77,494
REDUCED FARES	39,480

TOTAL PASSENGER SERVICE 1,273,779

ADVERTISING 66,792

MISCELLANEOUS INCOME 1,220

UNIFIED WORK PROGRAM 26,499

TOTAL OPERATING REVENUE 1,368,290

OPERATING EXPENSES:

ADMINISTRATION-TRANS. OPER.:

SALARIES AND WAGES	120,794
FRINGE BENEFIT AND PAYROLL TAXES	88,078
DEPRN:REV. VEHICLE. MOVEMENT CONTROL	4,674

SCHEDULING-TRANS. OPER.:

SALARIES AND WAGES	9,422
FRINGE BENEFITS AND PAYROLL TAXES	10,171

REVENUE VEHICLE OPERATIONS:

SALARIES AND WAGES	2,655,517
FRINGE BENEFIT AND PAYROLL TAXES	2,034,444
FUEL	457,778
TIRES AND TUBES	68,855
LUBRICANT	38,574
DEPRN:	
BUSES	910,021
DESTINATION SIGNS AND VOICE ENUNCIATOR	90,306
CONSULTANTS	3,509

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018

MAINTENANCE ADMIN.-VEHICLES:	
SALARIES AND WAGES	63,807
FRINGE BENEFIT AND PAYROLL TAXES	44,163
DEPRN:SHOP AND GARAGE EQUIPMENT	12,347
SERVICING-REVENUE VEHICLES:	
SALARIES AND WAGES	95,566
FRINGE BENEFITS AND PAYROLL TAXES	60,842
MATERIAL AND SUPPLIES	2,721
DEPRN: INSTALLED EQUIPMENT	13,996
INSPECTION AND MAINT.-REV. VEHICLES:	
SALARIES AND WAGES	492,098
FRINGE BENEFIT AND PAYROLL TAXES	279,034
CONTRACTED MAINT. SERVICES	22,043
MATERIAL AND SUPPLIES	442,578
ACCIDENT REPAIRS-REV. VEHICLES:	
SALARIES AND WAGES	27,560
FRINGE BENEFIT AND PAYROLL TAXES	31,925
PREMIUMS FOR PHYSICAL DAMAGE INSURANCE	219,493
RECOVERY OF PHYS. DAMAGE LOSS	(4,500)
VANDALISM REPAIRS-REV. VEHICLES:	
SALARIES AND WAGES	-
FRINGE BENEFIT AND PAYROLL TAXES	-
SERVICE AND FUEL-SERVICE VEHICLES:	
SALARIES AND WAGES	6,458
FRINGE BENEFIT AND PAYROLL TAXES	4,263
FUEL	2,256
MATERIALS AND SUPPLIES	792
INSPECTION AND MAINT.-SERVICE. VEHICLES:	
CONTRACTED MAINT. SERVICES	239
MAINT. ADMIN.-FACILITIES:	
SALARIES AND WAGES	20,810
FRINGE BENEFIT AND PAYROLL TAXES	14,541
DEPRN.-STRUCTURES & IMPROVEMENTS	237,295
MAIN.-VEHICLE MOVE. CONTROL:	
CONTRACTED MAINTENANCE SERVICES	1,082
MAINT.-FARE COLLECT. & COUNT EQUIP.:	
SALARIES AND WAGES	93,729
FRINGE BENEFIT AND PAYROLL TAXES	60,917

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018

CONTRACTED MAINT. SERVICES

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2018

MAINT:-BLDGS, GROUNDS, EQUIP.:

FRINGE BENEFITS & PAYROLL TAXES	15,687
BLDGS.& GROUNDS-WAGES	18,476
BLGD.& GROUNDS-CONTRACTED SERVICES	45,229
BLGD.& GROUNDS-CUSTODIAL SERVICES	2,170
BLGD.& GROUNDS-MATERIAL & SUPPLIES	1,956
JANITORIAL: SALARIES AND WAGES	6,751
JANITORIAL: MATERIAL & SUPPLIES	4,691

TICKET AND FARE COLLECTION:

SALARIES AND WAGES	19,834
FRINGE BENEFIT AND PAYROLL TAXES	16,934
MATERIAL AND SUPPLIES	7,370
DEPRN: FAREBOXS & COUNTING EQUIPMENT	54,295

GENERAL ADMINISTRATIVE EXPENSES:

FRINGE BENEFITS AND PAYROLL TAXES	266,675
STEP PROGRAM WAGES	7,416
STEP PROGRAM FRINGE BENEFITS	8,655
SECURITY SERVICE	17,010
HEALTH CLAIMS - PROF. & TECH SERVICES	62,027
HEALTH CLAIMS - STOP-LOSS	153,769
SAFETY-SALARIES AND WAGES	10,844
SAFETY-MATERIAL AND SUPPLIES	625
PREMIUMS-PUBLIC LIABILITY. & PROP. DAMAGE	26,155
PERSONNEL-PROFESS. AND TECH SERVICES	20,161
LEGAL - SALARIES AND WAGES	22,796
LEGAL-PROFESS. AND TECH SERVICES	4,116
ACCOUNTING AND AUDITING SERVICES	19,338
FINANCE AND ACCOUNTING-SALARIES	95,007
FINANCE & ACCT.-MATERIALS & SUPPLIES	933
PURCHASING & STORE.-WAGES	53,253
OFFICE MANAGEMENT-MATERIALS & SUPPLIES	17,219
IT SALARIES AND WAGES	48,363
DATE PROCESSING-PROF. & TECH. SERVICES	52,924
GENERAL MANAGEMENT-SALARIES	133,555
GENERAL MANAGEMENT-PROF. & TECH SERVICES	16,311
GENERAL MANAGEMENT-SUPPLIES	414

MARKETING:

CUSTOMER SERVICE-SALARIES AND WAGES	143,514
CUSTOMER SERVICE-MATERIALS & SUPPLIES	512
ADVERTISING AND PROMOTION	6,590
PROMOTION-MEDIA	3,399
FRINGE BENEFITS AND PAYROLL TAXES	115,814

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - NON FIXED ROUTE OPERATION:
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUE:

CONTRACT TRANSPORTATION FARES

Medical Assistance Transportation Program:

Luzerne County \$ 1,294,521

Commonwealth of Pennsylvania Department of Transportation

Persons with Disabilities 26,338

Section 203 Lottery Program 598,690

STEP Ticket Sales 82,784

Shared-Ride Ticket Fares:

Persons with Disabilities 5,019

Section 203 Lottery Program 75,036

User Agencies and Organizations

Department of Public Welfare

Promise 286,475

Waiver 21,506

Wyoming Valley CYC 18,903

Luzerne County Mental Health/Mental Retardation Programs

Partial Hospitalization 35,540

Promise 68,843

Luzerne County Children and Youth Services 25,722

Wilkes-Barre YMCA 6,971

Single Contract 1,106

Wilkes-Barre City Health Department 1,361

Little Explorers 4,029

Association for the Blind 2,234

Busy Bee Day Care 3,821

Child Development Council 14,030

TOTAL FEE-FOR-SERVICE OPERATING REVENUE 2,572,929

OTHER OPERATING REVENUE

Medical Assistance Client Travel Reimbursement 54,460

TOTAL OPERATING REVENUES 2,627,389

OPERATING EXPENSES:

SALARIES AND WAGES

Vehicle Operations 1,206,380

Maintenance 279,197

Administration 272,897

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - NON FIXED ROUTE OPERATION:
FOR THE YEAR ENDED JUNE 30, 2018

FRINGE BENEFITS	
Vehicle Operations	804,858
Maintenance	261,088
Administration	173,833
SERVICES	
Outside Repairs	4,846
Building and Grounds	7,784
Finance	19,338
Radios	8,295
Professional and Technical Services	43,502
FUEL AND LUBRICANTS	
Fuel	247,264
Oil and Lubricants	3,403
TIRES AND TUBES	32,823
OTHER MATERIALS AND SUPPLIES	
Materials and Supplies: Vehicles	56,161
Office Supplies	12,540
Other Materials and Supplies	8,954
UTILITIES	
Heat, Power, Lights, Water and Phone	39,691
CASUALTY AND LIABILITY COSTS	
Vehicle Insurance	74,790
Recovery of Physical Damage Loss	-
Stop Loss Insurance	62,807
PURCHASED TRANSPORTATION	389,373
MISCELLANEOUS EXPENSES	
Travel	2,653
Other Miscellaneous Expenses	5,493
NON-PUBLIC OTHER TRANSPORTATION EXPENSES	
Purchased Transportation	-
Mileage Reimbursements	54,460
DEPRECIATION	<u>320,602</u>
TOTAL OPERATING EXPENSES	<u>4,393,032</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENDITURES - NON FIXED ROUTE OPERATION:
FOR THE YEAR ENDED JUNE 30, 2018

LOSS FROM OPERATIONS	<u>(1,765,643)</u>
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Luzerne County Transportation Authority
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

Federal CFDA Number	Federal Grantor/Program Title	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 07-01-17	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 06-30-18
DIRECT FUNDING							
<u>U.S. Department of Transportation</u>							
Federal Transit Capital Assistance Grants:							
20.507	PA 2016-006-00	3,180,877	18,363	7,002	18,931	18,931	7,570
20.507	PA 2016-016-00	2,440,410	529,718	429,023	100,695	100,695	-
20.507	PA 2017-015-00	1,755,678	1,214,596	-	1,600,430	1,600,430	385,834
20.507	PA 2018-014-00	1,529,266	126,346	65,438	116,808	116,808	55,900
20.507	PA 2018-018-00	2,348,460	121,306	-	263,999	263,999	142,693
20.507	PA 2018-038-00	1,818,000	-	-	-	-	-
20.507	PA 2019-000-00 (tentative grant number)	-	-	-	153,557	153,557	153,557
TOTAL DEPARTMENT OF TRANSPORTATION DIRECT FUNDING		13,072,691	2,010,329	501,463	2,254,420	2,254,420	745,554
INDIRECT FUNDING							
<u>U.S. Department of Health and Human Services</u>							
Pass through Pennsylvania Department of Public Welfare: Medical Assistance Program							
93.778		183,607	183,607	49,731	159,565	159,565	25,689
TOTAL MEDICAL ASSISTANCE PROGRAM - DPW		183,607	183,607	49,731	159,565	159,565	25,689
Pass through Luzerne County: Medical Assistance Transportation Program Luzerne County							
93.778		702,228	834,192	131,992	674,491	674,491	(27,709)
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE		702,228	834,192	131,992	674,491	674,491	(27,709)
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		920,574	1,052,538	181,723	868,795	868,795	(2,020)
TOTAL INDIRECT FUNDING		920,574	1,052,538	181,723	868,795	868,795	(2,020)
TOTAL		\$ 13,993,265	\$ 3,062,867	\$ 683,186	\$ 3,123,215	\$ 3,123,215	\$ 743,534

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

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, 2018. 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, 2018

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	7/1/2017 - 6/30/2018	\$ 183,607.42	\$ 170,791.08	\$ 354,398.50	\$ 159,564.88	\$ 148,415.97	\$ 307,980.85
TOTAL MEDICAL ASSISTNACE PROGRAM				183,607.42	170,791.08	354,398.50	159,564.88	148,415.97	307,980.85
Medical Assistance Transportation Program - Luzerne County	93.778	n/a	7/1/2017 - 6/30/2018	\$ 856,982.00	\$ 856,983.00	\$ 1,713,965.00	\$ 674,490.43	\$ 674,490.43	\$ 1,348,980.85
TOTAL MEDICAL ASSISTNACE PROGRAM - LUZERNE				856,982.00	856,983.00	1,713,965.00	674,490.43	674,490.43	1,348,980.85
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$ 1,040,589.42	\$ 1,027,774.08	\$ 2,068,363.50	\$ 834,055.30	\$ 822,906.40	\$ 1,656,961.70

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE AWARDS
JUNE 30, 2018

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 WELFARE FUNDING:

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

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.

SUPPEMENTARY INFORMATION
REPORT FOR PENNSYLVANIA DEPARTMENT OF TRANSPORTION

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - FIXED ROUTE URBAN EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Admin</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 2,655,517	\$ -	\$ -	\$ 2,655,517
Other Salaries and Wages	150,050	825,256	514,749	1,490,055
Fringe Benefits	2,149,628	511,373	391,145	3,052,146
Services	-	87,773	181,466	269,239
Fuel and Lubricants	498,607	-	-	498,607
Tires and Tubes	68,855	-	-	68,855
Other Materials and Supplies	7,370	452,738	23,574	483,682
Utilities	-	-	108,442	108,442
Casualty and Liability Costs	-	-	394,917	394,917
Taxes	-	-	-	-
Purchased Transportation	-	-	-	-
Miscellaneous Expenses	-	-	46,768	46,768
Expense Transfers	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total System Expenses	<u>\$ 5,530,027</u>	<u>\$ 1,877,140</u>	<u>\$ 1,661,061</u>	<u>\$ 9,068,228</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				-
TOTAL OPERATING EXPENSES				<u>9,068,228</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				1,369,495
Other Post-Employment Benefits (OPEB)				28,132
Other Reconciling Items				-
				<u> </u>
Total Non-applied Reconciling Items				<u>1,397,627</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 10,465,855</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE ADA PARATRANSIT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Vehicle Operations	Maintenance	General Admin	Totals
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	-	-	-	-
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
	-	-	-	-
Total System Expenses	-	-	-	-
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items: ADA Expenses				660,964
Total Applied Reconciling Items				660,964
TOTAL OPERATING EXPENSES				660,964
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				\$ 660,964

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE SHARED RIDE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Admin</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	1,059,190	-	-	1,059,190
Other Salaries and Wages	147,190	279,197	272,897	699,284
Fringe Benefits	804,858	261,088	173,833	1,239,779
Services	-	21,315	62,449	83,764
Fuel and Lubricants	250,667	-	-	250,667
Tires and Tubes	32,823	-	-	32,823
Other Materials and Supplies	-	59,713	17,944	77,657
Utilities	-	-	39,691	39,691
Casualty and Liability Costs	-	-	137,597	137,597
Taxes	-	-	-	-
Purchased Transportation	-	-	389,373	389,373
Miscellaneous Expenses	-	-	8,144	8,144
Expense Transfers	-	-	-	-
	<u>2,294,728</u>	<u>621,313</u>	<u>1,101,928</u>	<u>4,017,969</u>
Total System Expenses				
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items: ADA				(660,964)
Other Reconciling Items: Non Public				<u>(494,325)</u>
Total Applied Reconciling Items				<u>(1,155,289)</u>
TOTAL OPERATING EXPENSES				<u>2,862,680</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				320,602
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				<u>-</u>
Total Non-applied Reconciling Items				<u>320,602</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 3,183,282</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON PUBLIC EXPENSES - OTHER TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2018

	<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	-	-	-	-
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
Mileage Reimbursement	-	-	54,460	54,460
MATP-Admin Reimbursement	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total System Expenses	<u>-</u>	<u>-</u>	<u>54,460</u>	<u>54,460</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items: Non Public				<u>494,325</u>
Total Applied Reconciling Items				<u>494,325</u>
TOTAL OPERATING EXPENSES				<u>548,785</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>\$ 548,785</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - FIXED ROUTE REVENUES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
Transportation Revenues			
Passenger Fares	1,273,779	-	1,273,779
Advertising	<u>66,792</u>	<u>-</u>	<u>66,792</u>
Subtotal Transportation Revenues	<u>1,340,571</u>	<u>-</u>	<u>1,340,571</u>
Other Revenue			
Scrap/Vending	1,220	-	1,220
Sale of Assets	-	-	-
Other Revenue/UPWP	<u>26,499</u>	<u>-</u>	<u>26,499</u>
Subtotal Other Revenues	<u>27,719</u>	<u>-</u>	<u>27,719</u>
TOTAL REVENUE	<u><u>1,368,290</u></u>	<u><u>-</u></u>	<u><u>1,368,290</u></u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - NON-FIXED ROUTE REVENUES-URBAN
FOR THE YEAR ENDED JUNE 30, 2018

	ADA	Shared Ride 65+		Shared Ride Under 65		Public	Total
	Paratransit	Standard	DAS	Standard	DAS	Vanpool	
Transportation Revenues							
Passenger Fares	\$ 82,784	\$ 64,109	\$ -	\$ 2,262	\$ -	\$ -	\$ 149,155
Advertising	-	-	-	-	-	-	-
Shared-Ride Lottery Trip Reimbursement	-	598,690	-	-	-	-	598,690
PwD Trip Reimbursement	-	-	-	26,338	-	-	26,338
PwD Passenger Fares	-	-	-	5,019	-	-	5,019
AAA	-	10,140	-	-	-	-	10,140
MH/MR - Shared-Ride Fare Structure	-	218	-	101,903	-	-	102,121
W2W - Shared-Ride Fare Structure	-	-	-	-	-	-	-
MATP - Shared-Ride Fare Structure	-	25,324	-	940,638	-	-	965,962
Children & Youth	-	-	-	25,722	-	-	25,722
OTHER REVENUE							
MATP Admin Reimbursement for MATP							
Shared-Ride Fare Structure	-	-	-	645	-	-	645
User Agencies	-	-	-	308,770	-	-	308,770
Miscellaneous & Interest	-	-	-	26,309	-	-	26,309
TOTAL REVENUE	\$ 82,784	\$ 698,481	\$ -	\$ 1,437,606	\$ -	\$ -	\$ 2,218,871

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - NON PUBLIC REVENUES - OTHER TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2018**

CONTRACT REVENUE - NON-SHARED RIDE PARATRANSIT

Contract Trips non-MATP	\$ 52,454
-------------------------	-----------

MATP REVENUE

MATP - Fixed Route Bus Pass Revenue	-
MATP - Contract Rate Paratransit	341,939
MATP - Mileage Reimbursement	54,460
MATP - Admin Reimbursement	-
MATP - Offset	(14,026)

Admin Reimbursement	<u>-</u>
---------------------	----------

TOTAL	434,827
-------	---------

Non-Applied Reconciling Items	<u>-</u>
-------------------------------	----------

TOTAL REVENUE	<u>\$ 434,827</u>
---------------	-------------------

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
FEDERAL			
Federal Operating Grant	\$ -	\$ -	\$ -
Federal Capital Grant to Fund Preventative Maintenance Costs	1,700,813	-	1,700,813
Federal Capital Grant to Fund Capital Costs of Contracting	-	-	-
Federal Capital Grant to Fund Associated Capital Maintenance Costs	50,631	-	50,631
Other Federal Grants for Operating Costs	-	-	-
	<u>1,751,444</u>	<u>-</u>	<u>1,751,444</u>
Subtotal Federal Subsidy			
STATE			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years- State Share	505,013	-	505,013
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	4,861,021	-	4,861,021
Act 3 ASG Grant Amount Charged - State Share	-	-	-
Act 3 BSG Grant Amount Charged - State Share	-	-	-
Special Operating Grants - State Share	-	-	-
	<u>5,366,034</u>	<u>-</u>	<u>5,366,034</u>
Subtotal State Subsidy			
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	582,460	-	582,460
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>582,460</u>	<u>-</u>	<u>582,460</u>
Subtotal State Subsidy			
Grand Total Subsidy	<u>\$ 7,699,938</u>	<u>\$ -</u>	<u>\$ 7,699,938</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - NON-FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2018**

Subsidy	ADA	Shared Ride		Public	Total
	Paratransit	Standard	DAS	Vanpool	
Federal Operating Grant	\$ 462,542	\$ -	\$ -	\$ -	\$ 462,542
Federal Capital Grant to Fund Preventive Maintenance Costs	-	-	-	-	-
Federal Capital Grant to Fund Capital Costs of Contracting	-	-	-	-	-
Federal Capital Grant to Fund Associated Capital Maintenance Costs	-	-	-	-	-
Other Federal Grants for Operating Costs	-	-	-	-	-
Federal Shared-Ride Subsidy	-	-	-	-	-
Subtotal Federal Subsidy	<u>462,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>462,542</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	104,971	840,551	-	-	945,522
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>104,971</u>	<u>840,551</u>	<u>-</u>	<u>-</u>	<u>945,522</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	10,667	-	-	-	10,667
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>10,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,667</u>
Grand Total Subsidy	<u>\$ 578,180</u>	<u>\$ 840,551</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,731</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - BUDGET SUMMARY
FOR THE YEAR ENDED JUNE 30, 2018

	Fixed Route				Non-Fixed Route						Non-Public Other Transportation	Total
	ADA Paratransit		Shared Ride		Public Vanpool		DAS		Other			
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural				
Total Operating Expenses	9,068,228	-	660,964	-	2,862,680	-	-	-	-	548,785	13,140,657	
Total Revenue	<u>1,368,290</u>	-	<u>82,784</u>	-	<u>2,136,087</u>	-	-	-	-	<u>434,827</u>	<u>4,021,988</u>	
Operating Deficit	(7,699,938)	-	(578,180)	-	(726,593)	-	-	-	-	(113,958)	(9,118,669)	
Total Subsidy	<u>7,699,938</u>	-	<u>578,180</u>	-	<u>840,551</u>	-	-	-	-	-	<u>9,118,669</u>	
Applied Operating Result	-	-	-	-	113,958	-	-	-	-	(113,958)	-	
Non-Applied Reconciling Items												
Total Non-Applied Reconciling Expense Items	(1,397,627)	-	-	-	(320,602)	-	-	-	-	-	(1,718,229)	
Total Non-Applied Reconciling Income Items	-	-	-	-	-	-	-	-	-	-	-	
Total Non-Applied Reconciling Subsidy Items	-	-	-	-	-	-	-	-	-	-	-	
Operating Results per Audit	<u>\$ (1,397,627)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (206,644)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (113,958)</u>	<u>\$ (1,718,229)</u>	

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S1 - LOCAL MATCH PROVIDED
FOR THE YEAR ENDED JUNE 30, 2018

<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	11/15/2017	\$ 294,970
Luzerne County	6/13/2018	294,970
Unassigned Local Match Funding		<u>-</u>
 GRAND TOTAL		 <u>\$ 589,940</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S2 - LOCAL MATCH CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2018**

A. Local Match funds available as of 6/30/17	\$ 38,869
B. Local match funds provided during the year ended 6/30/18	<u>589,940</u>
C. Local match operating expenditures for year ended 6/30/18	
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	593,127
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: Correct 6/30/17 Funding	<u>392</u>
D. Total local match operating expenditures for year ended 6/30/17 (Sum of C.a. through C.i.)	<u>593,519</u>
E. Local match capital expenditures for year-ended 6/30/18	
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)	417
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: Correct 6/30/17 Funding	<u>(716)</u>
F. Total local match capital expenditures for year ended 6/30/18 (Sum of E.a. through E.k.)	<u>(299)</u>
G. Interest Earned on local funds for year ended 6/30/18	<u>3,187</u>
H. Local match funds available as of 6/30/18 (A+B-D-F+G)	<u>\$ 38,776</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S3 - URBAN PTAF/BSG/ASG CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2018

	ACT 26		ACT 3	
	<u>PTAF</u>	<u>LOCAL SHARE</u>	<u>BSG</u>	<u>ASG</u>
Funds Available from Prior Years	\$ 11,929	\$ 6,256	\$ -	\$ -
Correct Funding of Non-Capital Item at June 30, 2017	3,583	716	-	-
Interest Income Earned for Year Ended June 30, 2018	78	-	-	-
	15,590	6,972	-	-
FUND EXPENDITURES				
Used for Operating				
Used for Capital Assistance	(2,080)	(417)	-	-
Total Funds Used in Year Ended June 30, 2018	(2,080)	(417)	-	-
 FUND BALANCE - June 30, 2018	 \$ 13,510	 \$ 6,555	 \$ -	 \$ -

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S5 - URBAN SECTION 1513 PROGRAM CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>State Grant</u>	<u>Local Match</u>	<u>Total</u>
A. FY 2016-17 Section 1513 URBAN Grant Agreement	<u>\$ 5,806,543</u>	<u>\$ 589,940</u>	<u>\$ 6,396,483</u>
 URBAN SECTION 1513 GRANT UTILIZATION FOR FISCAL YEAR ENDED JUNE 30, 2018			
1. Section 1513 fund balance as of June 30, 2017	\$ 4,725,233	\$ -	\$ 4,725,233
2. Section 1513 funds received for FY 2017-18	5,806,543	589,940	6,396,483
3. PTAF Section 1513 funds received for FY 2017-18	<u>-</u>	<u>-</u>	<u>-</u>
4. Total Section 1513 funds received for FY 2017-18 (Line 2+3, must agree with A above)	<u>5,806,543</u>	<u>589,940</u>	<u>6,396,483</u>
5. Interest Income earned on Section 1513 funds in FY 2017-18	<u>28,930</u>	<u>3,187</u>	<u>32,117</u>
6. Total Section 1513 funds available in FY 2017-18 (Line 1+4+5)	<u>10,560,706</u>	<u>593,127</u>	<u>11,153,833</u>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2017-18	5,369,942	593,519	5,963,461
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2017-18	945,522	-	945,522
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2017-18	-	-	-
10 Section 1513 funds used for Rural non-fixed route operating expenses in FY 2017-18	-	-	-
11 Section 1513 funds used for Rural capital costs in FY 2017-18 (waiver required)	-	-	-
12 Section 1513 funds used for Urban capital costs in FY 2017-18 (waiver required)	-	-	-
13 Correct Funding of Non-Capital Item at June 30, 2017	<u>-</u>	<u>(392)</u>	<u>-</u>
13 Total Section 1513 funds used in FY 2017-18 (Line 7+8+9+10+11+12)	<u>6,315,464</u>	<u>593,127</u>	<u>6,908,983</u>
14 Section 1513 fund balance as of June 30, 2018 (Line 6 minus 13)	<u>\$ 4,245,242</u>	<u>\$ -</u>	<u>\$ 4,244,850</u>

**LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA
CAPITAL PROJECT SPENDING REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 24,190	\$ 22,958	\$ 39,887	\$176,079	\$201,894	\$ 25,815
2	Expenditures Through the End of the Prior Fiscal Year									
Sources of Funds for the Current Fiscal Year										
3										
4										
5						9,986		9,986	9,986	
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23								2,080	2,080	
24										
25						2,080				
26										
27										
28										
29										
30										
31										
32										
33						417		417	417	
34										
35										
36										
37										
38										
39										
40										
41										
42										
43										
44										
45										
46						12,483		12,483	12,483	
47	50,014	4,050	34,570	410	24,190	35,441	39,887	188,562		
48	50,000	4,124	35,000	410	30,000	40,360	42,000	201,894		
49	(14)	74	430		5,810	4,919	2,113	13,332		

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Patrick T. Hopkins C.P.A.

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 Human Services (DHS) and Luzerne County Transportation Authority - Shared Ride Division solely to assist you with respect to the financial schedule and exhibit required by the DHS 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 DHS. 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 DHS for fiscal year ended June 30, 2018 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 DHS 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 DHS 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 20, 2018

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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, 2018, 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 20, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material 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 2018-1.

Compliance and Other Matters

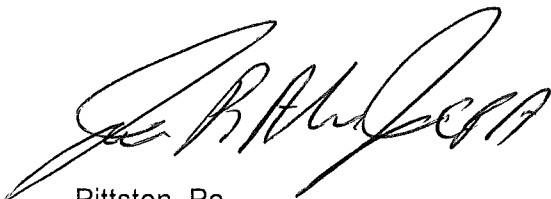
As part of obtaining reasonable assurance about whether Luzerne County Transportation Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 20, 2018

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Patrick T. Hopkins C.P.A.*

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, 2018. 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.

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, 2018.

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 2018-1. 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

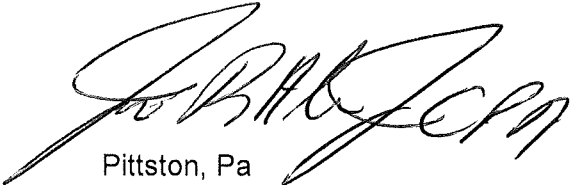
Management of Luzerne County Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Luzerne County Transportation 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.

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 2018-1 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.

A handwritten signature in black ink, appearing to be 'J. B. Johnson', written in a cursive style.

Pittston, Pa
December 20, 2018

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Part I. 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
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.

Part II. 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 DEFICIENCY

2018-01 - Segregation of Duties

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018

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.

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

2018-01 - Segregation of Duties

As addressed in 2018-01, 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, 2018

June 30, 2017 Audit Report

II and III

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, 2018 audit report, 2018-01.