

LUZERNE COUNTY TRANSPORTATION AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

LUZERNE COUNTY TRANSPORTATION AUTHORITY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Luzerne County Transportation Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

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

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

We were unable to perform testing of the ending inventory since a physical count of inventory was not performed at June 30, 2013. In addition, alternative testing procedures could not be performed since the perpetual inventory system was not updated as of our audit date.

Emphasis of Matter

As described in Note 2 to the financial statements, the Authority changed from preparing and reporting the financial statements in accordance with the regulatory basis to preparing and reporting in accordance with generally accepted accounting principles (GAAP) basis.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Luzerne County Transportation Authority, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

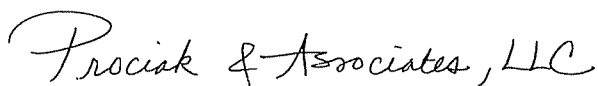
Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Luzerne County Transportation Authority. The accompanying schedules of revenue and expenditures on pages 25 - 32 and the supplemental schedules on pages 37 - 50 are presented for purposes of additional analysis as required by the Federal Transit Administration and the Pennsylvania Department of Transportation and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 33 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements. The accompanying schedule of expenditures of Pennsylvania Department of Welfare Awards on page 35 is presented for purposes of additional analysis as required by the Commonwealth of Pennsylvania Department of Public Welfare Single Audit Supplement, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Luzerne County Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Luzerne County Transportation Authority's internal control over financial reporting and compliance.

December 23, 2013



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

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

Introduction

The following discussion and analysis of the financial performance and activity of the Luzerne County Transportation Authority (LCTA or Authority) is intended to provide an introduction to and an overview and analysis of the basic financial statements of the Authority for the year ended June 30, 2013. The management of the Authority has prepared this discussion, and it should be read in conjunction with the financial statements and the notes which follow this section.

Background Information on the Authority

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

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

Authority Activities and Highlights

- The Authority's net position increased by \$3,318,165. This was caused by capital grant funding of \$5,491,275.
- The Authority's operating revenues decreased from \$5,178,881 in 2012 to \$4,505,232 in 2013. This was mainly due to a decrease of over \$480,000 in Medical Assistance Transportation Program income in the Shared-Ride Division. The operating revenue for the Fixed Route service decreased \$7,040.
- Operating expenses only increased by 1.4%, from \$13,305,081 in 2012 to \$13,491,009 in 2013. Operating expenses of the Fixed Route Division increased by \$186,616. This was mainly due to an increase in depreciation expense. The operating expense for the Shared-Ride Division increased \$330,015, caused almost entirely by the costs associated with the consolidation project. The consolidation project is being funded entirely by the Commonwealth of Pennsylvania.
- The Fixed Route Division had a net loss before capital funding of \$1,536,538 for the year ended June 30, 2013 after applying available subsidies of \$6,145,698. This net loss equals the amount of depreciation expense taken. This division received \$4,552,815 of capital grant funding.
- The Shared-Ride Division had a net loss before capital funding of \$636,572 for the year. This division received capital grant funding amounting to \$938,460 for the year.

- Pennsylvania Act 44 State Operating Assistance accounts for over 37% of the Authority's operating revenues. The Act 44 funding increased from \$4,191,829 in fiscal 2012 to \$4,227,580 in 2013.
- The Fixed Route Division carried approximately 1,200,000 passengers and recorded in excess of 1,000,000 million vehicle miles during the year ended June 30, 2013.
- The Shared- Ride Division carried approximately 3,400 unduplicated passengers who took approximately 179,600 trips during the year ended June 30, 2013.

Overview of the Financial Statements

Beginning with the fiscal year July 1, 2012 to June 30, 2013, the Authority's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) that apply to U.S. governmental units. The Authority uses the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred. Since the Authority is comprised of a single enterprise fund, no individual fund level financial statements are presented.

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

- Statement of Net Position - this financial statement summarizes the Authority's capital structure as to whether authority's assets were financed with equity or by incurring a liability. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase in liabilities generally indicate an improved financial condition.
- Statement of Revenues, Expenses, and Changes in Net Position - this financial statement provide information on the net income generated from Authority's continuing operations. Operating Expenses are subtracted from Operating Revenues in order to determine an Operating Gain or Loss. Non-Operating Revenues that are defined as significant recurring federal and state grants and interest and gain on sale of capital assets are added to the Operating Gain or Loss in order to calculate Net Gain or Loss before Capital Funding. The net gain or loss before capital related items is combined with capital grant contribution revenue to produce the Change in Financial Position.
- Statement of Cash Flows - this statement of cash flows detail the cash flows generated by Authority's operations, non-capital financing, and capital and related financing activities. This statement incorporates a direct approach by adding Fiscal Year 2013 changes in cash flows from operating activities, non-capital financing activities, capital and related financing activities, and investing activities to the fiscal year-end 2012 cash balance.
- Notes to Financial Statements – the notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements.
- Other Information – in addition to the basic financial statements and accompanying notes, this report also presents information regarding the financial performance of the Authority by division. The Authority has two operating divisions: the Fixed Route Division, which provides scheduled bus service on fixed routes, and the Shared-Ride Division, which provides demand response transportation.

Financial Analysis

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial positions. In the case of the LCTA, assets exceeded liabilities by \$17,791,580.

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

Current and Other Assets	\$ 12,261,634
Capital Assets, Net	<u>17,077,983</u>
TOTAL ASSETS	<u>\$ 29,339,617</u>
Current and Other Liabilities	\$ 11,548,037
Net Position	
Invested in Capital Assets	17,077,983
Unrestricted	<u>713,597</u>
TOTAL NET POSITION	<u>17,791,580</u>
TOTAL LIABILITES AND NET POSITION	<u>\$ 29,339,617</u>

The largest portion of the Authority's net position was its investment in capital assets (land, buildings, revenue vehicles, equipment). This totaled \$17,077,983 or 58% of the net position. 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 \$9,810,470 (or 33% of net position), of which \$8,220,211 is restricted by the Commonwealth of Pennsylvania to be utilized only for future purchases of capital assets. Large liabilities include \$8,329,753 of deferred revenues. These deferred revenues are funding received from the Commonwealth of Pennsylvania and Luzerne County to be used for either operations or the purchase of capital assets. The Authority also owes the Hazleton Public Transportation System (HPTS) \$1,551,797 which represents the fiscal year June 30, 2013 Commonwealth of Pennsylvania Act 44 funding for HPTS that is passed through the LCTA to the HPTS.

Changes in net position. A condensed summary of the Authority's statement of revenues, expenses and changes in net position for the year ended June 30, 2013 is presented below:

OPERATING REVENUES		
Passenger Revenues		\$ 1,261,685
Government Fare Programs		2,131,622
Other Operating Revenues		<u>1,111,923</u>
TOTAL OPERATING REVENUES		<u>4,505,230</u>
OPERATING EXPENSES		
Salaries and Wages		4,614,454
Fringe Benefits		3,462,751
Material and Supplies		1,847,595
Purchased Transportation		688,674
Depreciation		1,940,723
Other Operating Expenses		<u>936,812</u>
TOTAL OPERATING EXPENSES		<u>13,491,009</u>
NON-OPERATING REVENUES		
Operating and Planning Grants		
Federal		1,746,770
Commonwealth of Pennsylvania		4,566,998
Luzerne County		462,233
Interest Income and Gain on Sale of Capital Assets		<u>36,666</u>
TOTAL NON-OPERATING REVENUE		<u>6,812,667</u>
CAPITAL GRANT FUNDING		
Federal		3,027,070
Commonwealth of Pennsylvania		2,432,790
Luzerne County		<u>31,415</u>
TOTAL CAPITAL GRANT FUNDING		<u>5,491,275</u>
INCREASE IN NET POSITION		<u>\$ 3,318,163</u>

Passenger revenues accounted for 28% of operating revenues and government fare programs accounted for 47%. Overall government operating, planning and capital grants accounted for 73% of all the Authority's revenues.

The Authority's major expenses are wages and fringe benefits. These account for 60% of the Authority's operating expenses.

Capital assets. The Authority's investment in capital assets include land, buildings, revenue vehicles, service vehicles, shelters and signs, Radios, fareboxes, shop and garage equipment, and office and computer equipment. Capital acquisitions are recorded at cost and are funded by federal, state and local government grants. The LCTA's investment in capital assets at June 30, 2013, stated at cost, is as follows:

Revenue Vehicles	\$ 18,448,026
Service Vechiles	389,480
Shelters and Bus Stop Signs	154,796
Buildings	7,070,763
Shop and Garage Equipment	558,729
Radios	105,834
Fareboxes	658,045
Destination Signs	651,765
Computer Equipment	168,375
Office Equipment	54,516
Land	132,716
TOTAL CAPITAL ASSETS - AT COST	\$ 28,393,045

During the year ended June 30, 2013, the Authority purchased \$5,460,874 of capital assets while selling or retiring assets, after the end of their useful lives, with a total cost basis of \$2,703,297.

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

Economic factors. The LCTA continues to rely on government subsidies to provide the offered services. The Authority has controlled costs of the prior few years but the consolidation with the Luzerne/Wyoming County Transportation Department does not allow for a complete comparison of prior year costs. Pennsylvania Act 44 funding continues to require annual increases in the local match. It will require a 15% match in the near future. This would require a local match of over \$700,000. Currently Luzerne County provides over \$500,000. With no changes in the county contribution the Authority will be required to utilize its deferred county funding in order to achieve the required local match.

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, 2013

ASSETS

CURRENT ASSETS	
Cash	\$ 1,591,873
Restricted Cash - Act 26	449,304
Restricted Cash - State Section 1513	7,769,293
Accounts Receivable - Trade	510,835
Capital Assistance Grants Receivable	1,157,636
Miscellaneous Receivables	3,392
Inventories	338,323
Prepaid Insurance	<u>440,978</u>
TOTAL CURRENT ASSETS	12,261,634
 CAPITAL ASSETS	
Capital assets not being depreciated	132,716
Capital assets being depreciated	<u>28,260,329</u>
	28,393,045
Less: Accumulated Depreciation	<u>11,315,062</u>
TOTAL CAPITAL ASSETS	<u>17,077,983</u>
TOTAL ASSETS	<u>\$ 29,339,617</u>

LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	
Trade	\$ 422,008
Commonwealth of Pennsylvania Medical Assistance Program	164,135
Accrued Salaries and Wages	261,129
Accrued Payroll Taxes and Employee Funds Withheld	27,596
Accrued Pension	105,418
Due to Hazleton Public Transit System	1,551,797
Deferred Revenue	
Penn DOT Act 26 Capital	240,886
Penn DOT - Act 44	7,690,043
Luzerne County Act 26 Match	208,418
Luzerne County Act 44 Match	79,250
Luzerne County Unassigned	111,156
Unredeemed Fares	<u>135,704</u>
TOTAL CURRENT LIABILITIES	10,997,540
 LONG-TERM LIABILITIES	
Accrued Compensated Absences	<u>550,497</u>
TOTAL LIABILITIES	<u>11,548,037</u>

NET POSITION

NET INVESTED IN CAPITAL ASSETS	17,077,983
UNRESTRICTED	<u>713,597</u>
TOTAL NET POSITION	<u>17,791,580</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 29,339,617</u>

See notes to financial statements.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Passenger fares	\$ 1,261,685
State lottery Shared Ride Program	631,703
State Persons with Disabilities Program	33,828
Area Agency on Aging	13,058
Mental Health/Intellectual & Development Disabilities	222,552
Medical Assistance Transportation Program	1,230,481
Other contract revenue	1,067,756
Advertising income	14,601
Miscellaneous income	<u>29,566</u>

TOTAL OPERATING REVENUES 4,505,230

OPERATING EXPENSES

Operators salaries and wages	2,963,302
Other salaries and wages	1,651,152
Fringe benefits	3,462,751
Services	175,982
Fuel and lubricants	1,341,675
Tires and tubes	61,174
Other materials and supplies	444,746
Utilities	116,763
Casualty and liability costs	220,609
Taxes	-
Purchased transportation	688,674
Miscellaneous expenses	32,058
Consolidation project expenses	339,418
Mileage reimbursements	51,982
Depreciation	<u>1,940,723</u>

TOTAL OPERATING EXPENSES 13,491,009

LOSS FROM OPERATIONS (8,985,779)

NON-OPERATING REVENUES (EXPENSES)

Capital funds used for operating assistance and planning grants:	
Federal government	1,746,770
Commonwealth of Pennsylvania Act 44	53,295
Luzerne County Act 44 matching funds	4,882

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Operating grants:	
Commonwealth of Pennsylvania Act 44	4,174,285
Commonwealth of Pennsylvania Technical Assistance Grant	339,418
Luzerne County Act 44 matching funds	<u>457,351</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	<u>6,776,001</u>
Other public/private sources:	
Interest income	41
Gain on sale of capital assets	<u>36,625</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,812,667</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(2,173,112)</u>
CAPITAL GRANT FUNDING	
Federal	3,027,070
Commonwealth of Pennsylvania Act 44 Capital	1,101,804
Commonwealth of Pennsylvania Act 26	892,986
Commonwealth of Pennsylvania 1516 PWD	96,000
Commonwealth of Pennsylvania 1516 CTC	342,000
Luzerne County	<u>31,415</u>
TOTAL CAPITAL GRANT FUNDING	<u>5,491,275</u>
CHANGE IN NET POSITION	3,318,163
NET POSITION - BEGINNING	<u>14,473,417</u>
NET POSITION - ENDING	<u>\$ 17,791,580</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,464,727
Cash payments to suppliers for goods and services	(3,362,934)
Cash payments to employees for services	(8,077,744)
Other operating cash receipts	<u>37,369</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(6,938,582)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts of operating grants for other governmental entities	905,692
Receipts from operating grants	<u>7,398,230</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>8,303,922</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from capital grants	4,849,196
Proceeds from sale of equipment	36,625
Purchase of capital assets	<u>(5,460,874)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(575,053)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>41</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>41</u>
NET INCREASE IN CASH	790,328
CASH - JULY 1, 2012	<u>9,020,142</u>
CASH - JUNE 30, 2013	<u>\$ 9,810,470</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>(8,985,779)</u>
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:	
Depreciation	1,940,723
Changes in assets and liabilities:	
Increase in accounts receivable	(16,194)
Decrease in miscellaneous receivables	7,803
Increase in inventories	(41,192)
Increase in prepaid insurance	(116,890)
Increase in accounts payable	268,229
Decrease in accrued salaries and wages	(8,100)
Decrease in accrued payroll taxes and employee funds	(33,468)
Increase in accrued pension	23,924
Increase in Due to Hazleton Public Transit System	-
Increase in unredeemed fares	5,257
Increase in accrued compensated absences	<u>17,105</u>
TOTAL ADJUSTMENTS	<u>2,047,197</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (6,938,582)</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1: NATURE OF OPERATIONS, ORGANIZATION AND CONCENTRATIONS

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity:

Effective July 1, 2012, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*. Statement No. 61 is an amendment to Statement No. 14 and Statement No. 34, modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Authority reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989 which do not conflict with or contradict 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.

Effective July 1, 2012, the Authority also implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The standard incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

C. Change in basis of accounting, financial statement preparation, and presentation

The Authority changed its basis of accounting from the regulatory basis to the GAAP (generally accepted accounting principles) basis of accounting. The effects of the change were as follows:

Beginning net position	\$ 19,267,506
Adjustment to correct capital grant funding receivable	(4,260,692)
Adjustment to recognize liability for compensated absences	<u>(533,397)</u>
Beginning net position, restated	<u>\$14,473,417</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

D. Funding

1. Operating Assistance – fixed route:

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

2. Capital Grant Funding – fixed route:

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

3. Operating Revenue – shared-ride:

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

4. Capital Funding – shared-ride:

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

5. Restricted Resources:

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

E. 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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

F. Accounts Receivable

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

G. Capital Assets

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

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

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

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

H. Inventories

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

I. 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.

J. Deferred Revenues

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

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."

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 costs of advertising to expense as incurred.

N. Subsequent Events

The Authority has evaluated subsequent events through December 23, 2013, the date the financial statements were issued.

NOTE 3: BUDGET MATTERS

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

NOTE 4: CASH AND INVESTMENTS

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

As of June 30, 2013, the carrying amounts of the Authority's cash balances were \$9,810,470, and the bank balances were \$10,117,758, of which \$9,617,758 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 \$500 in petty cash funds as of June 30, 2013.

As of June 30, 2013, the Authority had no investments.

NOTE 5: RESTRICTED CASH

Cash in the amount of \$449,304 is restricted to the purchase of capital items in accordance with Commonwealth of Pennsylvania Act 26 of 1991 (See Note 12).

Cash in the amount of \$7,769,293 is restricted to the funding of operating assistance in accordance with Commonwealth of Pennsylvania Act 44 of 2007, State Section 1513 (See Note 13).

NOTE 6: CAPITAL ASSISTANCE GRANTS RECEIVABLE

At June 30, 2013, the following amounts are due on capital project grants:

Federal government	\$ 670,091
Commonwealth of Pennsylvania	<u>487,545</u>
	<u>\$1,157,636</u>

NOTE 7: INVENTORIES

Components of inventory as of June 30, 2013 are as follows:

Parts	\$ 325,561
Diesel Fuel	<u>12,762</u>
Total	<u>\$ 338,323</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8: CAPITAL ASSETS

The components of fixed assets as of June 30, 2013 are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Capital assets not being depreciated:			
Land	\$ 132,716	\$ -	\$ 132,716
Capital assets being depreciated:			
Revenue Vehicles	18,329,528	7,491,005	10,838,523
Service Vehicles	326,884	325,125	1,759
Shelters and Bus Stop Signs	154,796	154,796	-
Structures and Improvements	7,070,763	2,122,246	4,948,517
Installed Equipment	391,784	247,926	143,858
Shop and Garage Equipment	348,038	162,027	186,011
Radios	75,126	41,718	33,408
Fareboxes	658,045	375,379	282,666
Office Equipment	54,516	33,164	21,352
Computer Equipment	168,375	148,832	19,543
Signs and Enunciator	<u>682,474</u>	<u>212,844</u>	<u>469,630</u>
Total capital assets being depreciated, net	<u>\$ 28,260,329</u>	<u>\$ 11,315,062</u>	<u>\$ 16,945,267</u>
Total capital assets, net	<u>\$ 28,393,045</u>	<u>\$ 11,315,062</u>	<u>\$ 17,077,983</u>

Total depreciation for the year ended June 30, 2013 was \$1,940,723.

The following schedule summarizes the change in the fixed assets:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Property and Equipment	\$ 25,625,863	\$ 5,470,479	\$ (2,703,297)	\$ 28,393,045
Accumulated Depreciation	<u>(12,068,025)</u>	<u>(1,940,723)</u>	<u>2,693,686</u>	<u>(11,315,062)</u>
Total	<u>\$ 13,557,838</u>	<u>\$ 3,529,756</u>	<u>\$ (9,611)</u>	<u>\$ 17,077,983</u>

NOTE 9: ACCOUNTS PAYABLE – MEDICAL ASSISTANCE PROGRAM

The Authority through its shared-ride division has contracted with the Pennsylvania Department of Public Welfare to provide medical transportation to residents eligible for medical assistance in Luzerne County and Wyoming County. Medical transportation services were provided according to the fee-for-service fare structure. MATP funding remaining at June 30, 2013 was included in Accounts Payable – Medical Assistance Program as follows:

Luzerne County	\$ 121,447
Wyoming County	<u>42,688</u>
	<u>\$ 164,135</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10: DUE TO HAZLETON PUBLIC TRANSIT SYSTEM

As part of the Penn DOT Consolidation Plan, funding for the fiscal year ended June 30, 2013 included combined funding for the Luzerne County Transportation Authority, Shared Ride program, and the Hazleton Public Transit System. As of February 2012, Penn DOT instructed the Authority to hold the funds allocated to the Hazleton Transit Authority System until such time Penn DOT allows the funds to be paid to Hazleton Transit Authority. The amount due to Hazleton Transit Authority as of June 30, 2013 was \$1,551,797.

NOTE 11: DEFERRED REVENUE - PENN DOT AND LUZERNE COUNTY

As of June 30, 2013, the LCTA received from the Commonwealth of Pennsylvania and the County of Luzerne funding in excess of the amount needed to fund the operating deficit and capital projects as further discussed in Note 12 and 13. In accordance with the Penn DOT purchase of service agreement, the unexpended funds are to be transferred to and maintained in an interest bearing account until expended on a project cost.

NOTE 12: DEFERRED REVENUE ACT 26 FUNDING

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

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

Interest earned on the capital funding amounted to \$5,143 and was also deferred. Act 26 Funding utilized for capital expenditures during the year was \$892,331. This resulted in a deferred revenue as of June 30, 2013 in the amount of \$240,886.

NOTE 13: DEFERRED REVENUE ACT 44 FUNDING

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

The funding received is limited to funding the state portion of operating and capital assistance. Any amount not spent during the fiscal year may be carried over to future periods. The amount carried over from the prior year is \$6,840,454. The amount received during the fiscal year ended June 30, 2013 was \$5,046,634. Interest earned amounted to \$30,535 and was also deferred. Funding utilized for asset maintenance and operating assistance amounted to \$4,227,580. This resulted in deferred revenue as of June 30, 2013 in the amount of \$7,690,043.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 14: UNREDEEMED FARES

Unredeemed fares include unused tickets sold under the S.T.E.P. program, PWD program and the lottery program administered through the shared ride division of the Authority. As of June 30, 2013, the amounts were as follows:

S.T.E.P. Program	\$ 36,141
PWD Program	5,508
Lottery Program	<u>94,055</u>
	<u>\$ 135,704</u>

NOTE 15: PENSION PLAN

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

Non-Union Employees – Fixed Route

The Authority provides pension benefits to all non-union employees who have attained age 21 and have completed one year of credited service. The total pension expense for the fiscal year ending June 30, 2013, 2012, and 2011 was \$144,776, \$149,495, and \$103,834, respectively.

The Authority makes annual contributions to the plan based on the suggested contribution provided by the actuary. Employees contribute 3% of their compensation to the plan. A comparison of accumulated plan benefits and plan net assets as of the date of the latest actuarial report, January 1, 2011, is presented below:

Actuarial Accrued Liabilities	\$2,119,177
Asset Balance	<u>1,171,985</u>
UNFUNDED ACTUARIAL ACCRUED LIABILITY	<u>\$ (947,192)</u>
Net Assets Available for Benefits at Market (01-01-11)	<u>\$1,171,985</u>

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits is 8% per annum. The benefit information presented above was determined at January 1, 2011 by Conrad M. Siegel, Inc. for ASCO Financial Group, Inc. The breakdown of the actuarial present value of vested and non-vested plan benefits was not provided in the actuaries' report.

Union Employees – Fixed Route

The Authority provides pension benefits to all union employees who have completed 60 months employment with the Authority. The total pension expense for the fiscal year ending June 30, 2013, 2012 and 2011 was \$117,342, \$112,976, and \$78,469, respectively.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (CONT'D)
 FOR THE YEAR ENDED JUNE 30, 2013

Funding required to pay plan expenses and benefits is provided by contributions by the employees and the Authority in accordance with a collective bargaining agreement. A comparison of accumulated plan benefits and plan net assets as of the date of the latest actuarial report, January 1, 2011, is presented below:

Actuarial Accrued Liabilities	\$ 5,397,143
Asset Balance	<u>3,454,191</u>
 UNFUNDED ACTUARIAL ACCRUED LIABILITY	 <u>\$ (1,942,952)</u>
 Net Assets Available for Benefits at Market (01-01-11)	 <u>\$ 3,454,191</u>

The assumed rate of return used in determining the actuarial value of accumulated plan benefits is 8.5% per annum. The benefit information presented above was determined at January 1, 2011 by Conrad M. Siegel, Inc. for ASCO Financial Group, Inc.

Union Employees – Shared-Ride

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

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

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

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.

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 17: CONTINGENCIES

- A. The Authority participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Authority is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

- B. There are currently a few matters in litigation with the Authority as defendant. It is the opinion of management that the potential claims against the Authority not covered by insurance would not materially affect the financial statements.

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

OPERATING REVENUE	
PASSENGER REVENUE	
Full adult fares	\$ 496,585
Full fare transfers	34,971
Reduced fare transfers	3,701
31 day passes	226,151
20 ride passes	106,144
Short fares	9,716
10 ride passes	38,340
1 day passes	70,199
1 ride passes	6,714
Student passes	57,238
Handicapped fares	36,974
Other primary ride fare	<u>1,749</u>
 TOTAL PASSENGER SERVICE	 1,088,482
 ADVERTISING	 14,601
MISCELLANEOUS INCOME	2,319
UNIFIED WORK PROGRAM	<u>12,600</u>
 TOTAL OPERATING REVENUE	 <u>1,118,002</u>
 OPERATING EXPENSES	
Administration - transportation operations:	
Salaries and wages	118,495
Fringe benefit and payroll taxes	94,890
Depreciation:revenue vehicle movement control	5,048
 Scheduling - transportation operations:	
Salaries and wages	10,052
Fringe benefits and payroll taxes	7,816
 Revenue vehicle operations:	
Salaries and wages	1,931,186
Fringe benefits and payroll taxes	1,496,344
Fuel	766,958
Tires and tubes	60,688
Lubricant	26,053
Depeciation:	
Buses	1,112,562
Destination signs and voice enunciator	32,386
Consultants	2,991
 Maintenance admin.-vehicles:	
Salaries and wages	88,559
Fringe benefits and payroll taxes	76,966
Depreciation:shop and garage equipment	18,722

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

Servicing-revenue vehicles:	
Salaries and wages	\$ 203,868
Fringe benefits and payroll taxes	154,389
Material and supplies	2,805
Depreciation: installed equipment	35,230
Inspection and maintenance-rev. vehicles:	
Salaries and wages	299,965
Fringe benefits and payroll taxes	236,822
Contracted maintenance Services	21,640
Material and supplies	310,088
Accident repairs-revenue vehicles:	
Salaries and wages	42,618
Fringe benefits and payroll taxes	31,940
Premiums for physical damage insurance	163,844
Vandalism repairs-revenue vehicles:	
Salaries and wages	2,058
Fringe benefits and payroll taxes	1,681
Service and fuel-service vehicles:	
Salaries and wages	4,945
Fringe benefits and payroll taxes	3,807
Fuel	569
Contracted maintenance Services	1,329
Inspection and maintenance-service vehicles:	
Contracted maintenance Services	281
Maintenance Admin.-facilities:	
Salaries and wages	25,297
Fringe benefits and payroll taxes	19,683
Depreciation.-structures & improvements	236,754
Maintenance-vehicle move. control:	
Contracted maintenance services	3,171
Maintenance-fare collect. & count equip.:	
Salaried and wages	6,075
Fringe benefit and payroll taxes	4,230
Contracted maintenance services	178
Maintenance:-buildings, grounds, equip.:	
Fringe benefits & payroll taxes	16,227
Buildings & grounds-wages	2,913
Buildings & grounds-contracted services	33,148
Buildings & grounds-custodial services	3,315
Buildings & grounds-material & supplies	3,192
Janitorial: salaries and wages	17,286
Janitorial: material & supplies	7,156

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

Ticket and fare collection:	
Salaries and wages	\$ 10,891
Fringe benefits and payroll taxes	9,116
Material and supplies	11,410
Depreciation: fareboxes & counting equipment	54,379
General administrative expenses:	
Fringe benefits and payroll taxes	236,651
Step program wages	8,737
Step program fringe benefits	6,530
Security service	1,413
Premiums-public liability. & prop. damage	19,239
Safety-salaries and wages	7,705
Safety-material and supplies	5,873
Personnel-professional and technical services	4,110
Legal - salaries and wages	28,943
Legal-professional and technical services	10,972
Accounting and auditing services	25,950
Finance and accounting-salaries	88,557
Finance & acct.-materials & supplies	1,129
Purchasing & store.-wages	41,760
Office management-materials & supplies	19,778
IT salaries and wages	50,360
Date processing-professional & technical services	1,297
General management-salaries	66,926
General management-professional & technical services	9,161
Marketing:	
Customer service-salaries and wages	89,915
Customer service-materials and supplies	10,095
Customer service-telephone	343
Promotion-media	4,601
Fringe benefits and payroll taxes	103,447
General expenses:	
Materials and supplies	577
Heat, power, light, water, & phone	88,669
Dues and subscriptions	19,052
Travel and meetings	3,537
Other miscellaneous expenses	329
Depreciation: service vehicles	21,098
Depreciation: office equipment	3,757
Depreciation: computer system	<u>13,611</u>
TOTAL OPERATING EXPENSES	<u>8,826,138</u>
LOSS FROM OPERATIONS	<u>(7,708,136)</u>

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

NON-OPERATING REVENUE (EXPENSES)	
CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:	
Federal government	\$ 1,514,062
OPERATING GRANTS:	
Commonwealth of Pennsylvania Act 44	4,174,285
Luzerne County Act 44 matching funds	<u>457,351</u>
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	6,145,698
OTHER PUBLIC/PRIVATE SOURCES:	
Gain on sale of capital assets	<u>25,900</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>6,171,598</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(1,536,538)</u>
CAPITAL GRANT FUNDING	
Federal	2,526,610
Commonwealth of Pennsylvania Act 44 Capital Section 1517	1,101,804
Commonwealth of Pennsylvania Act 26	892,986
Luzerne County	<u>31,415</u>
TOTAL CAPITAL GRANT FUNDING	<u>4,552,815</u>
CHANGE IN NET POSITION	<u>\$ 3,016,277</u>

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

OPERATING REVENUE	
Passenger fares	\$ <u>62,445</u>
TOTAL PASSENGER SERVICE	<u>62,445</u>
OPERATING EXPENSES	
Purchased transportation:	
Vehicle operations	229,665
Maintenance	70,665
General and administration	<u>53,000</u>
TOTAL OPERATING EXPENSES	<u>353,330</u>
LOSS FROM OPERATIONS	<u>(290,885)</u>
NON-OPERATING REVENUE (EXPENSES)	
CAPITAL FUNDS USED FOR OPERATING ASSISTANCE AND PLANNING GRANTS:	
Federal government	232,708
Commonwealth of Pennsylvania Act 44	53,295
Luzerne County Act 44 matching funds	<u>4,882</u>
	<u>290,885</u>
CHANGE IN NET POSITION	<u>\$ -</u>

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

OPERATING REVENUE

CONTRACT TRANSPORTATION FARES

Medical Assistance Transportation Program:

Luzerne County	\$ 1,188,661
Wyoming County	41,820

Human Services Development Fund:

Luzerne County	-
Wyoming County	6,364

Commonwealth of Pennsylvania Department of Transportation

Persons with Disabilities	33,828
Section 203 Lottery Program	631,703

Shared-Ride Ticket Fares:

Persons with Disabilities	7,086
Section 203 Lottery Program	117,340

User Agencies and Organizations

Department of Public Welfare	
Promise	560,352
Waiver	24,670
Luzerne County Transportation Authority	353,329
Luzerne-Wyoming County Mental Health/Mental Retardation Programs	
Partial Hospitalization	36,068
Promise	164,454
Vocational Rehabilitation	22,031
Luzerne County Children and Youth Services	26,239
VOA	6,760
CCS Rehab	23,581
Child Development Council	<u>10,992</u>

TOTAL FEE-FOR-SERVICE OPERATING REVENUE	3,255,278
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OTHER OPERATING REVENUE

Charges for Vehicle Transportation Aides	2,876
Medical Assistance Client Travel Reimbursement	
Luzerne County	45,728
Wyoming County	6,254
Miscellaneous income	<u>14,647</u>

TOTAL OPERATING REVENUES	<u>3,324,783</u>
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LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES - NON-FIXED ROUTE OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING EXPENSES

Salaries and wages:

Operators	\$ 1,032,116
Maintenance	90,399
Administration	344,828

Fringe benefits:

Operators	539,512
Maintenance	64,326
Administration	358,373

Services:

Outside repairs	17,529
Building and grounds	5,895
Legal	817
Accounting and auditing	12,750
Professional and technical services	5,921

Fuels and lubricants:

Fuel	541,733
Oil and lubricants	6,362

Tires and tubes

486

Other materials and supplies:

Materials and supplies - vehicles	54,454
Office supplies	11,163
Other materials and supplies	5,696

Utilities:

Radios	13,834
Heat, power, lights, water, and phone	27,751

Casualty and liability costs:

Vehicle insurance	37,526
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Purchased transportation

86,679

Miscellaneous expenses:

Dues and subscriptions	6,191
Consolidation project expenses	339,418
Travel	1,135
Other miscellaneous expenses	1,815

Non-public other transportation expenses:

Purchased transportation	248,665
Mileage reimbursements	51,982

Depreciation

404,185

TOTAL OPERATING EXPENSES

4,311,541

LOSS FROM OPERATIONS

(986,758)

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

NON-OPERATING REVENUE (EXPENSES)	
OPERATING GRANTS:	
Commonwealth of Pennsylvania Technical Assistance	\$ 339,418
OTHER PUBLIC/PRIVATE SOURCES:	
Interest income	41
Gain on sale of capital assets	<u>10,725</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>350,184</u>
LOSS BEFORE CAPITAL GRANT FUNDING	<u>(636,574)</u>
CAPITAL GRANT FUNDING	
Federal Section 5310	500,460
Commonwealth of Pennsylvania Section 1516 PWD	96,000
Commonwealth of Pennsylvania Section 1516 CTC	<u>342,000</u>
TOTAL CAPITAL GRANT FUNDING	<u>938,460</u>
CHANGE IN NET POSITION	<u>\$ 301,886</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

Federal CFDA Number	Federal Grantor/Program Title	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at 07-01-12	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 06-30-13
DIRECT FUNDING							
U.S. Department of Transportation							
Federal Transit Capital Assistance Grants:							
20.500	PA 90-X460	\$ 6,244,355	\$ 61,379	\$ -	\$ 61,379	\$ 61,379	\$ -
20.500	PA 90-X507	1,631,187	3,424	-	3,424	3,424	-
20.500	PA 90-X690	2,752,948	55,989	-	55,989	55,989	-
20.500	PA 90-X727	4,113,189	2,660,223	227,850	2,332,665	2,332,665	292
20.500	PA 90-X755	1,891,959	2,014,307	864,183	1,411,916	1,411,916	261,792
20.500	PA 90-X760	-	-	-	408,007	408,007	408,007
TOTAL DEPARTMENT OF TRANSPORTATION			4,695,322	1,092,033	4,273,380	4,273,380	670,091
INDIRECT FUNDING							
U.S. Department of Transportation							
Pass through Pennsylvania Department of Transportation:							
20.513	Federal Transit Capital Assistance Grants: PA 16-X035	384,000	384,000	-	384,000	384,000	-
TOTAL DEPARTMENT OF TRANSPORTATION			384,000	-	384,000	384,000	-
U.S. Department of Health and Human Services							
Pass through Pennsylvania Department of Public Welfare:							
93.778	Medical Assistance Program	342,337	342,337	-	342,337	342,337	-
TOTAL MEDICAL ASSISTANCE PROGRAM - DPW			342,337	-	342,337	342,337	-
Pass through Luzerne County:							
93.778	Medical Assistance Transportation Program - Luzerne County	645,920	645,920	-	588,062	588,062	(57,858)
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE			645,920	-	588,062	588,062	(57,858)
Pass through Wyoming County							
93.778	Medical Assistance Transportation Program - Wyoming County	44,247	44,247	-	22,729	22,729	(21,518)
TOTAL MEDICAL ASSISTANCE PROGRAM - WYOMING			44,247	-	22,729	22,729	(21,518)
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,032,504	-	953,128	953,128	-
TOTAL DEPARTMENT OF TRANSPORTATION			1,416,504	-	1,337,128	1,337,128	(79,376)
TOTAL INDIRECT FUNDING			18,050,142	1,092,033	5,610,508	5,610,508	590,715

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. The Luzerne County Transportation Authority's reporting entity is defined in Note 2 of the Authority's basic financial statements. Federal financial assistance received directly from federal agencies is included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: BASIS OF ACCOUNTING

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 SCHEDULE OF EXPENDITURES OF PENNSYLVANIA DEPARTMENT OF
 PUBLIC WELFARE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Identifying Number	Grant Period	Payments Received			Revenue Recognized		
				Federal	State	Total	Federal	State	Total
<u>U.S. Department of Health and Human Services</u>									
Pass through Pennsylvania Department of Public Welfare: Medical Assistance Program	93.778	n/a	07/01/2012-06/30/2013	\$ 342,337	\$ 285,860	\$ 628,197	\$ 342,337	\$ 285,860	\$ 628,197
TOTAL MEDICAL ASSISTANCE PROGRAM				342,337	285,860	628,197	342,337	285,860	628,197
Medical Assistance Transportation Program - Luzerne County	93.778	n/a	07/01/2012-06/30/2013	645,920	709,916	1,355,836	588,062	646,327	1,234,389
TOTAL MEDICAL ASSISTANCE PROGRAM - LUZERNE				645,920	709,916	1,355,836	588,062	646,327	1,234,389
Pass through Wyoming County Medical Assistance Transportation Program - Wyoming County	93.778	n/a	07/01/2012-06/30/2013	44,247	48,630	92,877	22,729	25,345	48,074
TOTAL MEDICAL ASSISTANCE PROGRAM - WYOMING				44,247	48,630	92,877	22,729	25,345	48,074
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$ 1,032,504	\$ 1,044,406	\$ 2,076,910	\$ 953,128	\$ 957,532	\$ 1,910,660

LUZERNE COUNTY TRANSPORTATION AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Commonwealth of Pennsylvania Department of Public Welfare Single Audit Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: DEPARTMENT OF PUBLIC WELFARE FUNDING

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
 LEG - FIXED ROUTE URBAN EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 1,931,186	\$ -	\$ -	\$ 1,931,186
Other Salaries and Wages	139,439	693,583	382,903	1,215,925
Fringe Benefits	1,608,166	545,745	346,629	2,500,540
Services	-	61,733	57,503	119,236
Fuel and Lubricants	793,580	-	-	793,580
Tires and Tubes	60,688	-	-	60,688
Other Materials and Supplies	-	324,570	48,864	373,434
Utilities	-	-	89,012	89,012
Casualty and Liability Costs	-	-	183,083	183,083
Taxes	-	-	-	-
Purchased transportation	-	-	-	-
Miscellaneous Expenses	-	-	22,916	22,916
Expense Transfers	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total System Expenses	<u>4,533,059</u>	<u>1,625,631</u>	<u>1,130,910</u>	<u>7,289,600</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<hr/>
Total Applied Reconciling Items				-
TOTAL OPERATING EXPENSES				<hr/> 7,289,600
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				1,536,538
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<hr/>
Total Non-applied Reconciling Items				<u>1,536,538</u>
TOTAL OPERATING EXPENSES PER AUDIT				<hr/> \$ 8,826,138

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE ADA PARATRANSIT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ -	\$ -	\$ -	\$ -
Other Salaries and Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Services	-	-	-	-
Fuel and Lubricants	-	-	-	-
Tires and Tubes	-	-	-	-
Other Materials and Supplies	-	-	-	-
Utilities	-	-	-	-
Casualty and Liability Costs	-	-	-	-
Taxes	-	-	-	-
Purchased transportation	229,665	70,665	53,000	353,330
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
	229,665	70,665	53,000	353,330
Total System Expenses	229,665	70,665	53,000	353,330
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				-
Total Applied Reconciling Items				-
TOTAL OPERATING EXPENSES				353,330
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				\$ 353,330

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON-FIXED ROUTE SHARED RIDE EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Vehicle Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ 1,032,116	\$ -	\$ -	\$ 1,032,116
Other Salaries and Wages	-	90,399	344,828	435,227
Fringe Benefits	539,512	64,326	358,373	962,211
Services	798	37,257	18,691	56,746
Fuel and Lubricants	548,095	-	-	548,095
Tires and Tubes	486	-	-	486
Other Materials and Supplies	-	55,715	15,597	71,312
Utilities	-	-	27,751	27,751
Casualty and Liability Costs	-	-	37,526	37,526
Taxes	-	-	-	-
Purchased transportation	-	-	86,679	86,679
Miscellaneous Expenses	-	-	348,559	348,559
Expense Transfers	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total System Expenses	<u>2,121,007</u>	<u>247,697</u>	<u>1,238,004</u>	<u>3,606,708</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				1
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				-
				<hr/>
Total Applied Reconciling Items				<u>1</u>
TOTAL OPERATING EXPENSES				<u>\$ 3,606,709</u>
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				404,185
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				-
				<hr/>
Total Non-applied Reconciling Items				<u>404,185</u>
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 4,010,894</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA EXPENSE SCHEDULE
LEG - NON PUBLIC EXPENSES - OTHER TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2013

	Non-Shared Ride <u>Paratransit</u>	MATP Non-Shared Ride <u>Paratransit</u>	MATP Mileage <u>Reimbursement</u>	<u>Totals</u>
Operating Expenses				
Operators Salaries and Wages	\$ -	\$ -	\$ -	\$ -
Other Salaries and Wages	-	-	-	-
Fringe Benefits	-	-	-	-
Services	-	-	-	-
Fuel and Lubricants	-	-	-	-
Tires and Tubes	-	-	-	-
Other Materials and Supplies	-	-	-	-
Utilities	-	-	-	-
Casualty and Liability Costs	-	-	-	-
Taxes	-	-	-	-
Purchased transportation	-	248,665	-	248,665
Miscellaneous Expenses	-	-	-	-
Expense Transfers	-	-	-	-
Mileage Reimbursement	-	-	51,982	51,982
MATP-Admin Reimbursement	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total System Expenses	<u>-</u>	<u>248,665</u>	<u>51,982</u>	<u>300,647</u>
Applied Reconciling Items				
Interest Expense				-
Leases and Rentals				-
Depreciation				-
Amortization of Intangibles				-
Purchase Lease Agreement				-
Related Party Lease Agreement				-
Other Reconciling Items				<hr/> -
Total Applied Reconciling Items				<hr/> -
TOTAL OPERATING EXPENSES				300,647
Non-applied Reconciling Items				
Depreciation (publicly funded assets only)				-
Other Post-Employment Benefits (OPEB)				-
Other Reconciling Items				<hr/> -
Total Non-applied Reconciling Items				<hr/> -
TOTAL OPERATING EXPENSES PER AUDIT				<u>\$ 300,647</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
 LEG - FIXED ROUTE REVENUES
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
Transportation Revenues			
Passenger Fares	\$ 1,088,482	\$ -	\$ 1,088,482
Advertising	14,601	-	14,601
Charter	-	-	-
Route Guarantees	-	-	-
Other Revenue			
Jury Duty/Warranties	2,319	-	2,319
Sale of Assets	25,900	-	25,900
Other Revenue/UPWP	<u>12,600</u>	<u>-</u>	<u>12,600</u>
 TOTAL REVENUE	 <u>\$ 1,143,902</u>	 <u>\$ -</u>	 <u>\$ 1,143,902</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
LEG - NON-FIXED ROUTE REVENUES-URBAN
FOR THE YEAR ENDED JUNE 30, 2013

	ADA Paratransit	Shared Ride 65+		Shared Ride Under 65		Public Vanpool	Totals
		Standard	DAS	Standard	DAS		
TRANSPORTATION REVENUES							
Passenger Fares	\$ 62,445	\$ 103,672	\$ -	\$ 7,086	\$ -	\$ -	\$ 173,203
Advertising	-	-	-	-	-	-	-
Shared-Ride Lottery Trip Reimbursement	-	631,703	-	-	-	-	631,703
PwD Trip Reimbursement	-	-	-	33,828	-	-	33,828
AAA	-	13,058	-	-	-	-	13,058
MH/MR - Shared Ride Fare Structure	-	31,994	-	190,558	-	-	222,552
W2W - Shared Ride Fare Structure	-	-	-	-	-	-	-
MATP - Shared-Ride Fare Structure	-	-	-	944,489	-	-	944,489
Children & Youth	-	-	-	29,115	-	-	29,115
HSDF	-	-	-	6,364	-	-	6,364
OTHER REVENUE							
User Agencies	-	610	-	938,352	-	-	938,962
MATP Aide Reimbursements	-	-	-	37,327	-	-	37,327
Interest and Miscellaneous	-	25,412	-	-	-	-	25,412
TOTAL REVENUE	\$ 62,445	\$ 806,449	\$ -	\$ 2,187,119	\$ -	\$ -	\$ 3,056,013

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 COMMONWEALTH OF PENNSYLVANIA REVENUE SCHEDULES
 LEG - NON PUBLIC REVENUES - OTHER TRANSPORTATION
 FOR THE YEAR ENDED JUNE 30, 2013

CONTRACT REVENUE - NON-SHARED RIDE PARATRANSIT		
Agency/Sponsor		
MATP - Contract Rate Paratransit Revenue	\$	248,665
W2W - Contract Rate Paratransit Revenue		-
Other Contract Rate Paratransit Revenue		
Child Development Council		10,993
Volunteers of America		6,760
CCS Psych Rehab		23,581
Other Revenue		
MATP - Mileage Reimbursement		51,982
W2W - Other		-
Admin Reimbursement		-
TOTAL		341,981
Non-Applied Reconciling Items		-
TOTAL REVENUE	\$	<u>341,981</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Urban</u>	<u>Rural</u>	<u>Totals</u>
FEDERAL			
Federal Operating Grant	\$ -	\$ -	\$ -
Federal Capital Grant to Fund Preventative Maintenance Costs	1,481,780	-	1,481,780
Federal Capital Grant to Fund Capital Costs of Contracting	-	-	-
Federal Capital Grant to Fund Associated Capital Maintenance Costs	32,282	-	32,282
Other Federal Grants for Operating Costs	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Federal Subsidy	<u>1,514,062</u>	<u>-</u>	<u>1,514,062</u>
STATE			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years- State Share	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	4,174,285	-	4,174,285
Act 3 ASG Grant Amount Charged - State Share	-	-	-
Act 3 BSG Grant Amount Charged - State Share	-	-	-
Special Operating Grants - State Share	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal State Subsidy	<u>4,174,285</u>	<u>-</u>	<u>4,174,285</u>
LOCAL			
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - Local Share - Municipal Source	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Municipal Source	457,351	-	457,351
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Advertising Source	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - Local Share - Private Source	-	-	-
Act 3 ASG Grant Amount Charged - Local Share	-	-	-
Act 3 BSG Grant Amount Charged - Local Share	-	-	-
Special Operating Grants - Local Share	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal State Subsidy	<u>457,351</u>	<u>-</u>	<u>457,351</u>
Grand Total Subsidy	<u>\$ 6,145,698</u>	<u>-</u>	<u>\$ 6,145,698</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - NON-FIXED ROUTE SUBSIDIES
FOR THE YEAR ENDED JUNE 30, 2013

SUBSIDY	ADA	Shared Ride		Public	Total
	Paratransit	Standard	DAS	Vanpool	
Federal Operating Grant	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Capital Grant to Fund Preventive Maintenance Costs	-	-	-	-	-
Federal Capital Grant to Fund Capital Costs of Contracting	232,708	-	-	-	232,708
Federal Capital Grant to Fund Associated Capital Maintenance Costs	-	-	-	-	-
Other Federal Grants for Operating Costs	-	-	-	-	-
Federal Shared-Ride Subsidy	-	-	-	-	-
SUBTOTAL FEDERAL SUBSIDY	232,708	-	-	-	232,708
Act 44 Section 1513 Operating Grant Amount Charged- Prior Years - State Share	-	-	-	-	-
Act 44 Section 1513 Operating Grant Amount Charged- Current Year - State Share	53,295	-	-	-	53,295
Act 3 ASG Grant Amount Charged - State Share	-	-	-	-	-
Act 3 BSG Grant Amount Charged - State Share	-	-	-	-	-
Special Operating Grants - State Share	-	339,418	-	-	339,418
State Shared-Ride Subsidy	-	-	-	-	-
SUBTOTAL STATE SUBSIDY	53,295	339,418	-	-	392,713
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	4,882	-	-	-	4,882
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	4,882	-	-	-	4,882
GRAND TOTAL SUBSIDY	\$ 290,885	\$ 339,418	\$ -	\$ -	\$ 630,303

LUZERNE COUNTY TRANSPORTATION AUTHORITY
COMMONWEALTH OF PENNSYLVANIA SUBSIDY SCHEDULES
LEG - BUDGET SUMMARY
FOR THE YEAR ENDED JUNE 30, 2013

	Fixed Route		Non-Fixed Route						Non-Public		
	Urban	Rural	ADA Paratransit		Shared Ride		Public Vanpool		Other Transportation	Total	
			Urban	Rural	Standard Urban	DAS Urban	Standard Rural	DAS Rural			Urban
Total Operating Expenses	\$ 7,289,600	\$ -	\$ 353,330	\$ -	\$ 3,606,709	\$ -	\$ -	\$ -	\$ -	\$ 300,647	\$ 11,550,286
Total Revenue	1,143,902	-	62,445	-	2,993,568	-	-	-	-	341,981	4,541,896
Operating Deficit	(6,145,698)	-	(290,885)	-	(613,141)	-	-	-	-	41,334	(7,008,390)
Total Subsidy	6,145,698	-	290,885	-	339,418	-	-	-	-	-	6,776,001
Applied Operating Result	-	-	-	-	(273,723)	-	-	-	-	41,334	(232,389)
Non-Applied Reconciling Items											
Total Non-Applied Reconciling Expense Items	(1,536,538)	-	-	-	(404,185)	-	-	-	-	-	(1,940,723)
Total Non-Applied Reconciling Income Items	-	-	-	-	-	-	-	-	-	-	-
Total Non-Applied Reconciling Subsidy Items	-	-	-	-	-	-	-	-	-	-	-
Operating Results per Audit	\$ (1,536,538)	\$ -	\$ -	\$ -	\$ (677,908)	\$ -	\$ -	\$ -	\$ -	\$ 41,334	\$ (2,173,112)

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S1 - LOCAL MATCH PROVIDED
 FOR THE YEAR ENDED JUNE 30, 2013

<u>Contributor Name</u>	<u>Date of Final Payment</u>	<u>Total Amount Provided</u>
Act 44 Section 1513 Local Match for Operating Funds:		
Luzerne County	5/15/2013	\$ 462,233
Unassigned Local Match Funding:		
Luzerne County	5/15/2013	<u>48,688</u>
GRAND TOTAL		<u>\$ 510,921</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S2 - LOCAL MATCH CARRYOVER
 FOR THE YEAR ENDED JUNE 30, 2013

A.	Local Match funds available as of 6/30/12	\$ 376,496
	Prior period adjustments per PennDOT	<u>(3,344)</u>
	Local Match funds available as of 6/30/12 (adjusted)	<u>373,152</u>
B.	Local match funds provided during the year ended 6/30/13	<u>510,921</u>
C.	Local match operating expenditures for year ended 6-30-13	
	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	462,233
	c. Act 44 Sec. 1513 Local operating grant charged (current year) - Advertising Source	
	d. Act 44 Sec. 1513 Local operating grant charged (current year) - Private Source	
	e. Act 3 BSG Local operating grant charged (previous years)	
	f. Act 3 ASG Local operating charged (previous years - RURAL ONLY)	
	g. Other operating expenditures (if any)	
	Matched Program:	
	h. Other operating expenditures (if any)	
	Matched Program:	
	i. Other operating expenditures (if any)	
	Matched Program:	<u>-</u>
D.	Total local match operating expenditures for year ended 6/30/13 (Sum of C.a. through C.i.)	<u>462,233</u>
E.	Local match capital expenditures for year-ended 6/30/13	
	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)	31,409
	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	(1,944)
	j. Other local match capital expenditures (if any)	
	Matched Program: Excess capital grant expenditures	
	k. Other local match capital expenditures (if any)	
	Matched Program:	<u>-</u>
F.	Total local match capital expenditures for year ended 6/30/13 (Sum of E.a. through E.k.)	<u>29,465</u>
G.	Interest Earned on local funds for year ended 6/30/13	<u>6,448</u>
H.	Local match funds available as of 6/30/13 (A+B-D-F+G)	<u>\$ 398,823</u>

LUZERNE COUNTY TRANSPORTATION AUTHORITY
 GRANT FUNDING
 COMMONWEALTH OF PENNSYLVANIA
 SCHEDULE S3 - URBAN PTAF/BSG/ASG CARRYOVER
 FOR THE YEAR ENDED JUNE 30, 2013

	ACT 26		ACT 3	
	PTAF	LOCAL SHARE	BSG	ASG
Funds Available from Prior Years	\$ 1,125,390	\$ 241,423	\$ -	\$ -
Prior period adjustments per PennDOT	3,338	(4,958)		
Funds Available from Prior Years - as adjusted	1,128,728	236,465		
Interest Income Earned for Year Ended June 30, 2013	5,144	3,362		
Total Funds Available for the Year Ended June 30 ,2013	1,133,872	239,827	-	-
FUND EXPENDITURES				
Used for Operating				
Used for Capital Assistance	(892,986)	(31,409)		
Total Funds Used in Year Ended June 30, 2013	(892,986)	(31,409)	-	-
FUND BALANCE - June 30, 2013	\$ 240,886	\$ 208,418	\$ -	\$ -

LUZERNE COUNTY TRANSPORTATION AUTHORITY
GRANT FUNDING
COMMONWEALTH OF PENNSYLVANIA
SCHEDULE S5 - URBAN SECTION 1513 PROGRAM CARRYOVER
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Section 1513 State Grant</u>	<u>Section 1513 Required Local Match</u>	<u>Total</u>
A. FY 2011-12 Section 1513 URBAN Grant Agreement	<u>\$ 5,046,634</u>	<u>\$ 462,233</u>	<u>\$ 5,508,867</u>
URBAN SECTION 1513 GRANT UTILIZATION FOR FISCAL YEAR ENDED JUNE 30, 2013			
1. Section 1513 fund balance as of June 30, 2012	<u>\$ 6,840,454</u>	<u>\$ 76,973</u>	<u>\$ 6,917,427</u>
2. Section 1513 funds received for FY 2012-13	5,046,634	462,233	5,508,867
3. PTAF Section 1513 funds received for FY 2012-13	<u>-</u>	<u>-</u>	<u>-</u>
4. Total Section 1513 funds received for FY 2012-13 (Line 2+3, must agree with A above)	<u>5,046,634</u>	<u>462,233</u>	<u>5,508,867</u>
5. Interest Income earned on Section 1513 funds in FY 2012-13	<u>30,535</u>	<u>2,277</u>	<u>32,812</u>
6. Total Section 1513 funds available in FY 2012-13 (Line 1+4+5)	<u>11,917,623</u>	<u>541,483</u>	<u>12,459,106</u>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2012-13	4,227,580	462,233	4,689,813
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2012-13	-	-	-
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2012-13	-	-	-
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2012-13	-	-	-
11. Section 1513 funds used for Rural capital costs in FY 2012-13 (waiver required)	-	-	-
12. Section 1513 funds used for Urban capital costs in FY 2012-13 (waiver required)	<u>-</u>	<u>-</u>	<u>-</u>
13. Total Section 1513 funds used in FY 2012-13 (Line 7+8+9+10+11+12)	<u>4,227,580</u>	<u>462,233</u>	<u>4,689,813</u>
14. Section 1513 fund balance as of June 30, 2013 (Line 6 minus 13)	<u>\$ 7,690,043</u>	<u>\$ 79,250</u>	<u>\$ 7,769,293</u>

INDEPENDENT AUDITORS' REPORT
 ON APPLYING AGREED-UPON PROCEDURES

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

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

The procedures and associated findings are as follows:

- (a) We have verified by comparison of the amounts and classifications that the supplemental financial schedule listed below, which summarizes amounts reported to DPW for fiscal year ended June 30, 2013 has been accurately compiled and reflects the audited books and records of Luzerne County Transportation Authority – Shared Ride Division. We have also verified by comparison to the example schedule that this schedule is presented, at a minimum, at the level of detail and in the format required by the DPW Single Audit Supplement pertaining to this period.

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

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

Finding

- MATP Quarterly Reports -The third quarter trip and consumer data report filed with regard to the MATP listed the incorrect amount for total trips on the Luzerne County report. The net total was overstated by \$29.75.

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



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

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

December 23, 2013

Prociak & Associates, LLC

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

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

Year Ended June 30, 2013

	<u>Reported</u>	<u>Actual</u>
SERVICE DATA		
Expenditures:		
Group I clients	\$ 1,160,187	\$ 1,160,187
Group II clients	<u>75,549</u>	<u>75,549</u>
Total Expenditures	<u>\$ 1,235,736</u>	<u>\$ 1,235,736</u>
ALLOCATION DATA		
Revenues:		
Department of Public Welfare	\$ 1,234,424	\$ 1,234,424
Interest Income	<u>1,312</u>	<u>1,312</u>
Total Revenues	<u>\$ 1,235,736</u>	<u>\$ 1,235,736</u>
Funds Expended:		
Operating Costs	\$ 1,234,656	\$ 1,234,656
Administrative Costs	<u>1,080</u>	<u>1,080</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

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

Year Ended June 30, 2013

	<u>Reported</u>	<u>Actual</u>
SERVICE DATA		
Expenditures:		
Group I clients	\$ 46,703	\$ 46,703
Group II clients	<u>1,536</u>	<u>1,536</u>
Total Expenditures	<u>\$ 48,239</u>	<u>\$ 48,239</u>
 ALLOCATION DATA		
Revenues:		
Department of Public Welfare	\$ 48,075	\$ 48,075
Interest Income	<u>164</u>	<u>164</u>
Total Revenues	<u>\$ 48,239</u>	<u>\$ 48,239</u>
 Funds Expended:		
Operating Costs	\$ 48,079	\$ 48,079
Administrative Costs	<u>160</u>	<u>160</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Luzerne County Transportation Authority, as of and for the year ended June 30, 2013, 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 23, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Luzerne County Transportation Authority's Response to Findings

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

Purpose of this Report

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

December 23, 2013

Prociak & Associates, LLC

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

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

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

Report on Compliance for Each Major Federal Program

We have audited Luzerne County Transportation Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Luzerne County Transportation Authority's major federal programs for the year ended June 30, 2013. Luzerne County Transportation Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Luzerne County Transportation Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Luzerne County Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Luzerne County Transportation Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

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

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

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

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

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

December 23, 2013

Prociak & Associates, LLC

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Part I. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses a qualified opinion on the financial statements of the Luzerne County Transportation Authority.
2. Five significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the Luzerne County Transportation Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Five significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report On Compliance for Each Major Program and On Internal Control Over Compliance Required By OMB Circular A-133. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the Luzerne County Transportation Authority expresses an unmodified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are not reported in this schedule.
7. The entire federal transit program is considered a major program; Federal Transit Capital Improvement Grants CFDA #20.500 and CFDA #20.513, and the Medical Assistance Program Grants CFDA #93.778.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Luzerne County Transportation Authority was determined not to be a low-risk auditee.

Part II. FINDINGS - FINANCIAL STATEMENT AUDIT

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

SIGNIFICANT DEFICIENCIES

IIA - Segregation of Duties

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

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

Response: The Authority agrees with the above finding and agrees that the cost of increasing employees greatly exceeds any benefits which would be produced by such action. The Executive Director will continue to exercise very close supervision over the operations.

IIB - Budgeting

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

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

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

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

Response: The budget is prepared annually and is not modified or amended unless a major change occurs, i.e. fare increases, etc. The board of directors reviews monthly, a detailed financial report containing revenues and expenditures containing both actual and budgeted figures. The board is aware of all items expended over the budget.

IIC - Inventories Not Adequately Safeguarded

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

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

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

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

Response: Management will begin studies to determine how the inventories should be safeguarded. Additional personnel have been added to restrict access to inventory.

IID - Inventory - Obsolete Items

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

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

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

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

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

II E – Controls Over Inventory

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

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

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

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

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2013

Part III. SCHEDULE OF FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

SIGNIFICANT DEFICIENCIES

IIIA - Segregation of Duties

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

IIIB - Budgeting

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

IIIC - Inventories Not Adequately Safeguarded

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

IIID - Inventory – Obsolete Items

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

IIIE – Controls Over Inventory

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

LUZERNE COUNTY TRANSPORTATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

June 30, 2012 Audit Report

IIA and IIIA

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

STATUS: The same finding is noted in the June 30, 2013 audit report, IIA and IIIA.

IIB and IIIB

CONDITION: In reviewing the final budget for the year ended June 30, 2012 with related actual expenditures, various line item expenditures exceeded their related budgeted amounts.

STATUS: The same finding is noted in the June 30, 2013 audit report, IIB and IIIB.

IIC and IIIC

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

STATUS: The same finding is noted in the June 30, 2013 audit report, IIC and IIIC.

IID and IIID

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

STATUS: The same finding is noted in the June 30, 2013 audit report, IID and IIID.

IIE and IIIE

CONDITION: The amounts withheld for employee pension contributions for employees covered by the Luzerne County Employees' Retirement System were not remitted to the pension trustee on a timely basis.

STATUS: Beginning January 2013, amounts withheld for employee pension contributions for employees covered by the Luzerne County Employee Retirement System were remitted to the pension trustee on a timely basis.