



Financial Statements and Supplementary Information

June 30, 2014 and 2013

Red Rose Transit Authority

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Independent Auditor's Report

To the Board of Directors
Red Rose Transit Authority
Lancaster, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Red Rose Transit Authority (the Authority) as of and for the years ended June 30, 2014 and 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the Pennsylvania Department of Transportation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Red Rose Transit Authority as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, pension plans on pages 4 to 9 and page 33 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 audits 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole that collectively comprise the Authority's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is 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.

Reporting Required by *Government Auditing Standards* and Pennsylvania Department of Transportation

In accordance with *Government Auditing Standards* and the audit requirements of the Pennsylvania Department of Transportation, we have also issued our report dated December 30, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the audit requirements of the Pennsylvania Department of Transportation in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Reinsel Kintz Leshen LLP". The signature is written in a cursive, flowing style.

December 30, 2014
Lancaster, Pennsylvania

Red Rose Transit Authority

Management's Discussion and Analysis June 30, 2014 and 2013

The following discussion and analysis of the Red Rose Transit Authority's (RRTA or the Authority) financial performance provides an introduction to the Authority's basic financial statements for the fiscal year ended June 30, 2014 and 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 10.

Authority Activities and Highlights

- The Authority's net position decreased approximately \$934,000 for the year ended June 30, 2014, compared to a decrease of approximately \$51,000 and an increase of approximately \$2,831,000 for the years ended June 30, 2013 and 2012, respectively. These changes were primarily the result of fluctuations in capital grant revenues which are utilized to purchase capital assets (replacement revenue vehicles and building improvements). Capital grant revenues approximated \$1,724,000, \$3,098,000, and \$5,345,000 for the years ended June 30, 2014, 2013, and 2012, respectively.
- The Authority's operating revenues increased approximately 3.7% for the year ended June 30, 2014, were flat for the year ended June 30, 2013, and increased approximately 3.5%, or \$315,000, for the year ended June 30, 2012. The increase is primarily the result of an increase in passenger fares and miscellaneous income during 2014. For the years ended June 30, 2014, 2013, and 2012, passenger fares approximated \$4,359,000, \$4,274,000, and \$4,561,000, respectively.
- The Authority's operating expenses decreased approximately 1.5%, or \$285,000, for the year ended June 30 2014, and increased approximately 6.3% and 3.4%, or \$1,144,700 and \$601,600, from the preceding year for the years ended June 30, 2013, and 2012, respectively. A decrease in purchased transportation was the primary cause for the decrease in operating expenses.
- The Authority provided 2,188,679 passenger trips during fiscal year 2014, compared to 2,197,582 and 2,260,502 in the fiscal years 2013 and 2012. The decrease approximates 0.4% for 2014 compared to a 2.8% decrease in system ridership for 2013. This included a 0.1% increase in passengers using the Authority's fixed route system. From 2013 to 2014, passenger trips decreased by 8,903 trips and from 2012 to 2013 passenger trips decreased by 62,920 trips.

Overview of the Financial Statements

The Authority's basic financial statements include a statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

Statement of Net Position. The statement of net position presents the financial position of the Authority and includes information on RRTA's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Red Rose Transit Authority

Management's Discussion and Analysis

June 30, 2014 and 2013

Overview of the Financial Statements (continued)

Statement of Revenues, Expenses, and Changes in Net Position. The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused vacation leave).

Statement of Cash Flows. The statement of cash flows presents information on the effect changes in assets and liabilities have on cash during the course of the fiscal year.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements are included in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information can be found on page 33 of this report.

Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$41,323,000, \$42,256,000, and \$42,308,000 as of June 30, 2014, 2013, and 2012, respectively.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 4,633,678	\$ 3,110,703	\$ 3,711,796
Noncurrent Assets			
Capital assets, net	40,663,258	41,661,903	41,692,709
Noncurrent assets	269,934	209,028	229,585
Total Assets	45,566,870	44,981,634	45,634,090
Current Liabilities	4,244,159	2,725,261	3,326,443
Net investment in capital assets	40,663,258	41,661,903	41,692,709
Restricted	21,856	31,533	33,502
Unrestricted	637,597	562,937	581,436
Total Net Position	\$ 41,322,711	\$ 42,256,373	\$ 42,307,647

Red Rose Transit Authority

Management's Discussion and Analysis

June 30, 2014 and 2013

Financial Analysis (continued)

By far the largest portion of the Authority's net assets 98.4%, 98.6%, and 98.5% as of June 30, 2014, 2013, and 2012, respectively, reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, vehicles and equipment, and furniture and equipment). The Authority receives capital grant funding from federal, state, and local governments to acquire these capital assets. Therefore, certain restrictions are placed on their disposal. The Authority uses these capital assets to provide services to citizens. For this reason, and due to the restrictions placed on the disposal of these capital assets, these assets are not available for future spending.

An additional portion of the Authority's net assets, 0.1% at June 30, 2014, 2013, and 2012, represents resources that are subject to external restrictions on how they may be used. The remaining balance of approximately \$638,000, \$563,000, and \$581,000 at June 30, 2014, 2013, and 2012, respectively, represents unrestricted surplus.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues			
Passenger fares	\$ 4,359,000	\$ 4,273,842	\$ 4,560,925
Government fare programs	4,334,527	4,373,716	4,634,365
Other operating revenues	<u>1,026,729</u>	<u>723,505</u>	<u>190,048</u>
Total Operating Revenues	<u>9,720,256</u>	<u>9,371,063</u>	<u>9,385,338</u>
Operating Expenses			
Salaries and payroll taxes	4,198,226	4,261,331	3,967,454
Fringe benefits	3,166,778	3,294,035	2,730,640
Purchased transportation	5,809,128	6,011,071	6,380,820
Other operating expenses	2,828,917	2,741,622	2,629,124
Depreciation	<u>3,112,419</u>	<u>3,092,349</u>	<u>2,547,692</u>
Total Operating Expenses	<u>19,115,468</u>	<u>19,400,408</u>	<u>18,255,730</u>
Nonoperating Revenues (Expenses)			
Federal government	2,733,573	2,457,268	2,206,078
Commonwealth of Pennsylvania Act 44	3,339,775	4,186,164	3,888,119
Local governments	283,335	269,843	256,993
Interest income	777	2,587	7,670
Interest expense	-	(800)	(2,355)
Gain (loss) on disposal of equipment	<u>380,006</u>	<u>(35,313)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>6,737,466</u>	<u>6,879,749</u>	<u>6,356,505</u>

Red Rose Transit Authority

Management's Discussion and Analysis

June 30, 2014 and 2013

Financial Analysis (continued)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Capital Grant Funding	<u>1,724,084</u>	<u>3,098,322</u>	<u>5,345,359</u>
Increase (Decrease) in Net Position	<u>\$ (933,662)</u>	<u>\$ (51,274)</u>	<u>\$ 2,831,472</u>

The Authority is dependent on federal, state, and local governments to fund its operations. The funding received from these entities is included in nonoperating revenues.

The Authority's major expenses are salaries and purchased transportation. Purchased transportation represents amounts paid to the Authority's subcontractors for the provision of shared ride services.

Capital Acquisitions

The Authority's investment in capital assets includes land, land improvements, buildings and improvements, revenue vehicles, service vehicles, shop and garage equipment, furniture and office equipment, and miscellaneous revenue equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by federal, state, and local governmental grants.

The Authority's investment in capital assets as of June 30, 2014, 2013, and 2012, net of accumulated depreciation, amounted to approximately \$40,663,000, \$41,662,000, and \$41,693,000, respectively. These amounts represent a net decrease (including additions, deletions, and depreciation) of approximately \$999,000 and \$31,000 for the years ended June 30, 2014 and 2013 respectively, and a net increase of approximately \$2,799,000 for the year ended June 30, 2012.

	Capital Assets at June 30 (Net of Accumulated Depreciation)		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 4,075,111	\$ 3,980,403	\$ 3,967,254
Buildings and improvements	29,715,228	30,581,032	30,341,169
Revenue vehicles and equipment	5,411,928	5,469,834	5,597,822
Service vehicles and equipment	11,708	13,812	-
Furniture and office equipment	188,786	270,760	372,248
Miscellaneous revenue equipment	1,260,497	1,346,062	1,414,216
	<u>\$ 40,663,258</u>	<u>\$ 41,661,903</u>	<u>\$ 41,692,709</u>

During the years ended June 30, 2014, 2013, and 2012, the Authority expended approximately \$2,113,775, \$3,828,000, and \$6,129,000, respectively, on capital asset activities.

Additional information related to capital assets can be found in Note 8 to the financial statements.

Red Rose Transit Authority

Management's Discussion and Analysis

June 30, 2014 and 2013

Debt Administration

No debt is incurred by the Authority for the purchase of capital assets. Acquisitions are funded by federal, state, and local governmental grants.

The Authority has a \$1,000,000 line of credit with a tax-free interest rate of 0.5% less than prime. At June 30, 2014 and 2013, no amount was outstanding against the line of credit.

Additional information related to the Authority's debt can be found in Note 9 of this report.

Economic Factors

The uncertain economy again resulted in a modest ridership decrease for RRTA's fixed route service during FY 2014 with a decrease of 0.4% over the prior year's ridership. Ridership is still lower than it was in FY 2010 when the economy first showed a significant drop. Unemployment in Lancaster remained steady, but higher than normal, thus negatively affecting ridership levels. As a result, the decision was made to not raise fares or reduce service in order to not negatively affect ridership. For the shared ride service, as expected to the changes in the Medical Assistance Transportation Program, ridership levels decreased by 3.4% which is a trend that is not expected to change in future years. This is also true for other ridership categories for shared ride service as the senior citizen program continued its long term downward trend and funding levels for other social agencies continue to decrease.

One of RRTA's major capital projects, the Queen Street Station Parking Garage, was operational for two full years and the lease space was occupied by the Federal Taphouse Restaurant. The additional revenue from the lease space and the expected increase of revenue at the garage will be used for the operation of the fixed route service. With the availability of parking nearby, RRTA continued to actively pursue the leasing of space at the Queen Street Station with two floors of space available for lease and contracted with a local realtor to market this space. Another opportunity that is being pursued is the marketing of the air rights above the garage that is capable of supporting up to ten additional floors of office/residential space. The garage was constructed with this intent and when the economy improves, it is hoped that this becomes more viable for potential developers.

RRTA did take delivery of two new hybrid buses early in the fiscal year and the latest generation of electric drive vehicles that are projected to increase fuel economy by as much as 50%.

RRTA began updating its Transit Development Plan in FY 2014 to address the new 2010 Census data and evaluate the entire fixed-route service which has not been done since 2003. As funding for operations continues to be an issue at the state and federal levels, RRTA is faced with the reality that the only way to expand service is to reduce service in other areas. Also, the growing population continues to add to the congestion on the local roads and negatively affects on-time performance of the system and would require additional time on the schedules, thus reducing frequency. The update will be designed to address these operational issues and recommend a service plan for the next 5-10 year span.

Red Rose Transit Authority

Management's Discussion and Analysis

June 30, 2014 and 2013

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, creditors, and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions about this report or if additional financial information is required, please contact the Authority's Chief Financial Officer, Benjamin Dice, at Red Rose Transit Authority, 45 Erick Road, Lancaster, PA 17601.

Red Rose Transit Authority

Statement of Net Position

	June 30,	
	2014	2013
Assets		
Current Assets		
Cash and cash equivalents, unrestricted	\$ 819,514	\$ 505,801
Cash and cash equivalents, restricted	2,946,706	1,415,823
Accounts receivable	379,465	552,911
Inventories, parts	331,656	335,936
Prepaid expenses	87,796	76,020
Capital grants receivable	68,541	224,212
Total Current Assets	4,633,678	3,110,703
Noncurrent Assets		
Capital assets not being depreciated	3,858,875	3,858,875
Capital assets being depreciated, net	36,804,383	37,803,028
Total Capital Assets	40,663,258	41,661,903
Other asset, net pension benefit	269,934	209,028
Total Assets	45,566,870	44,981,634
Liabilities		
Current Liabilities		
Accounts payable - operating	579,387	585,689
Accounts payable - capital	47,467	22,366
Accrued wages	84,826	89,783
Payroll withholdings	46,808	72,648
Unearned Act 26 revenue	2,855	18,833
Unearned Act 44 revenue	2,943,851	1,396,990
Unearned Act 49 revenue	512,080	512,080
Other unearned revenue	26,885	26,872
Total Liabilities	4,244,159	2,725,261
Net Position		
Net Position		
Net investment in capital assets	40,663,258	41,661,903
Restricted for		
Disposition proceeds	11,973	21,655
Capital purchases	9,883	9,878
	21,856	31,533
Unrestricted	637,597	562,937
Total Net Position	\$ 41,322,711	\$ 42,256,373

Red Rose Transit Authority

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2014	2013
Operating Revenues		
Passenger fares	\$ 4,359,000	\$ 4,273,842
State Medical Assistance Transportation Program	2,403,263	2,480,071
State Shared Ride Program	1,457,514	1,452,999
Other contract revenue	2,715	4,215
Advertising	100,659	129,218
Miscellaneous income	923,355	590,072
Total Operating Revenues	9,246,506	8,930,417
Operating Expenses		
Salaries and wages	4,198,226	4,261,331
Fringe benefits	3,166,778	3,294,035
Services	295,189	286,925
Fuel and lubricants	1,127,983	1,179,868
Tires and tubes	65,688	62,580
Other materials and supplies	753,552	642,546
Utilities	154,949	158,646
Casualty and liability	286,925	275,680
Purchased transportation	5,809,128	6,011,071
Miscellaneous expense	144,631	135,377
Depreciation	3,112,419	3,092,349
Total Operating Expenses	19,115,468	19,400,408
Loss from Operations	(9,868,962)	(10,469,991)
Nonoperating Revenues (Expenses)		
Capital funds used for operating assistance and planning grants		
Federal government	2,733,573	2,457,268
Commonwealth of Pennsylvania Act 44 Funds	3,813,525	4,626,810
Local governments	283,335	269,843
Total Operating and Planning Grants	6,830,433	7,353,921
Interest income	777	2,587
Gain (loss) on disposal of capital assets	380,006	(35,313)
Interest expense	-	(800)
Total Nonoperating Revenues (Expenses)	7,211,216	7,320,395
Loss Before Capital Grant Funding	(2,657,746)	(3,149,596)

Red Rose Transit Authority

Statement of Revenues, Expenses, and Changes in Net Position (continued)

	Years Ended June 30,	
	2014	2013
Capital Grant Funding		
Federal government	976,754	2,105,653
State government	733,333	923,152
Local governments and other	13,997	69,517
Total Capital Grant Funding	1,724,084	3,098,322
Decrease in Net Position	(933,662)	(51,274)
Net Position, Beginning of Year	42,256,373	42,307,647
Net Position, End of Year	\$ 41,322,711	\$ 42,256,373

Red Rose Transit Authority

Statement of Cash Flows

	Years Ended June 30,	
	2014	2013
Cash Flows from Operating Activities		
Cash received from customers	\$ 8,496,610	\$ 8,336,827
Cash payments to suppliers for goods and services	(11,362,821)	(11,461,553)
Cash payments to employees for services	(4,745,729)	(4,780,962)
Other operating cash receipts	923,355	590,072
Net Cash Used in Operating Activities	(6,688,585)	(7,315,616)
Cash Flows from Noncapital Financing Activities		
Receipts from operating and planning grants	8,377,294	7,476,621
Interest expense	-	(800)
Net Cash Provided by Noncapital Financing Activities	8,377,294	7,475,821
Cash Flows from Capital and Related Financing Activities		
Receipts from capital grants	1,863,777	3,602,005
Receipts from sale of capital assets	380,007	22,601
Purchase of capital assets	(2,088,674)	(3,828,450)
Net Cash Provided by (Used in) Capital and Related Financing Activities	155,110	(203,844)
Cash Flows Provided by Investing Activities		
Interest income received	777	2,587
Net Increase (Decrease) in Cash	1,844,596	(41,052)
Cash, Beginning of Year	1,921,624	1,962,676
Cash, End of Year	\$ 3,766,220	\$ 1,921,624

Red Rose Transit Authority

Statement of Cash Flows (continued)

	Years Ended June 30,	
	2014	2013
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities		
Operating loss	\$ (9,868,962)	\$ (10,469,991)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	3,112,419	3,092,349
Change in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	173,446	(3,554)
Inventories	4,280	(6,235)
Prepaid expenses	(11,776)	(3,370)
Net pension benefit	(60,906)	20,557
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(37,099)	54,592
Other unearned revenue	13	36
Net Cash Used in Operating Activities	\$ (6,688,585)	\$ (7,315,616)

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 1 - Nature of Activity

The Red Rose Transit Authority (the Authority) was created November 28, 1973 under the laws of the Commonwealth of Pennsylvania, in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation within the County of Lancaster. The Authority is governed by a nine-member Board of Directors appointed by the Lancaster County Board of Commissioners.

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 responsive transportation services in specially equipped vehicles to the general public and qualifying elderly and handicapped persons.

The Authority is funded by a combination of passenger fares; other operating revenues; and federal, state, and local operating, planning, and capital grants.

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.

The Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no agencies or entities that should be presented with the Authority.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 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.

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for transportation services. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are operating, planning, and capital grants from the federal, state, and local governments and interest income. The principal nonoperating expenses of the Authority are interest expense and gain (loss) on disposal of capital assets.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

When restricted and unrestricted resources are available for its use, it is the Authority's policy to use unrestricted resources for current operating purposes first.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Assets, Liabilities, Net Position, Revenues, and Expenses

Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all unrestricted cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

Restricted Assets

Certain proceeds from the Authority's dedicated state tax revenues are classified as restricted assets on the statement of net position because their use is limited by state statute.

Investments

The Board is permitted to invest the Authority's funds as defined in the Pennsylvania Municipality Authorities Act. Authorized types of investments include the following:

- a. U.S. Treasury bills
- b. Short-term obligations of the U.S. Government and federal agencies
- c. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions
- d. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania's political subdivisions
- e. Shares of mutual funds whose investments are restricted to the above categories

When making investments, the Board can combine monies from more than one fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Net Position, Revenues, and Expenses (continued)

Investments (continued)

Investments are stated at fair value.

Accounts Receivable

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. The allowance was \$-0- at June 30, 2014 and 2013.

Inventories and Prepaid Expenses

Inventories are valued at the lower of cost or market on a first-in, first-out basis method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

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:

Land improvements	5 years
Buildings and improvements	30 years
Revenue vehicles and equipment	5 to 12 years
Service vehicles and equipment	5 to 8 years
Shop and garage equipment	5 to 10 years
Furniture and office equipment	5 to 10 years
Miscellaneous revenue equipment	5 to 15 years

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.

Maintenance and repairs of capital assets are expensed when incurred.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended June 30, 2014 and 2013.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Net Position, Revenues, and Expenses (continued)

Compensated Absences

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

Unearned Revenues

Unearned 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 are not available.

Net Position

Net position is classified into three categories as follows:

Net investment in capital assets consist of capital assets, net of accumulated depreciation.

Restricted net position are amounts that have externally imposed restrictions on how the funds can be spent.

Unrestricted net position are amounts that do not meet the definitions of "net investment in capital assets" or "restricted" and are available for Authority operations.

Capital Grants

Capital grants are recorded for amounts restricted to capital acquisition. The Authority recognizes capital grants when earned (generally when the related capital expenditure is incurred). Capital grants are reported in the statement of revenues, expenses, and changes in net position, after nonoperating revenues.

Advertising Costs

Advertising costs are expensed as incurred.

Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. The objective of this statement is to improve accounting and reporting by governments for pension plans, including recognition as a liability the unfunded pension liability. This statement is effective for periods beginning after June 15, 2014 and the Authority will adopt this statement in its June 30, 2015 financial statements.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 3 - Budget Matters

The Authority has an annual budget. However, the Pennsylvania Municipal Authorities Act does not require it.

Note 4 - Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

The Authority had no material violations of finance-related legal and contractual provisions.

Note 5 - Cash and Cash Equivalents

Cash Deposits

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, 2014 and 2013, the carrying amounts of the Authority's bank deposits were \$3,669,862 and \$1,825,307, respectively, and the corresponding bank balances were \$3,804,668 and \$1,969,055, respectively, of which \$3,554,668 and \$1,719,055, respectively, were exposed to custodial risk because they were uninsured, but are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority also maintained petty cash on hand totaling \$3,479 at June 30, 2014 and 2013.

Investments

The Authority had the following investments and maturities as of June 30:

Investment Type	Investment Maturities (in Years)	
	Fair Value	Less than One Year
June 30, 2014		
PA INVEST	\$ 82,925	\$ 82,925
PLGIT	9,954	9,954
	<u>\$ 92,879</u>	<u>\$ 92,879</u>
June 30, 2013		
PA INVEST	\$ 82,886	\$ 82,886
PLGIT	9,952	9,952
	<u>\$ 92,838</u>	<u>\$ 92,838</u>

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 5 - Cash and Cash Equivalents (continued)

Investments (continued)

As of June 30, 2014 and 2013, the Authority's investments in the Pennsylvania INVEST Program (PA INVEST) and the Pennsylvania Local Government Investment Trust (PLGIT) were rated AAAM by Standard & Poor's.

The Authority is authorized by statutes to invest its funds in certain governmental obligations. The Authority's investment policy is consistent with these limitations.

As a means of managing its exposure to fair value losses arising from changes in interest rates, the Authority's investment policy permits investments with a maturity date in excess of 18 months, provided market conditions, and projected use of funds warrants a longer term.

Note 6 - Restricted Cash

Cash, whose use is limited to a specific purpose, has been classified as "restricted" in the financial statements. Restricted assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Commonwealth of Pennsylvania, Act 44	\$ 2,943,851	\$ 1,396,990
Commonwealth of Pennsylvania, Act 26	<u>2,855</u>	<u>18,833</u>
	<u>\$ 2,946,706</u>	<u>\$ 1,415,823</u>

Note 7 - Capital Grants Receivable

The following amounts are due on capital project grants at June 30:

	<u>2014</u>	<u>2013</u>
Federal government	\$ -	\$ 50,938
Commonwealth of Pennsylvania	<u>68,541</u>	<u>173,274</u>
	<u>\$ 68,541</u>	<u>\$ 224,212</u>

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 8 - Capital Assets

Capital asset activity is as follows for the years ended June 30:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital Assets Not Being Depreciated				
Land	\$ 3,858,875	\$ -	\$ -	\$ 3,858,875
Capital Assets Being Depreciated				
Land improvements	589,406	109,987	-	699,393
Buildings and improvements	35,276,698	246,655	-	35,523,353
Revenue vehicles and equipment	17,872,648	1,531,056	902,564	18,501,140
Service vehicles and equipment	368,022	24,407	21,147	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,555,014	105,436	20,055	1,640,395
Miscellaneous revenue equipment	2,818,141	96,233	-	2,914,374
Total Capital Assets Being Depreciated	<u>58,970,785</u>	<u>2,113,774</u>	<u>943,766</u>	<u>60,140,793</u>
Less Accumulated Depreciation for				
Land improvements	467,879	15,278	-	483,157
Buildings and improvements	4,695,665	1,112,460	-	5,808,125
Revenue vehicles and equipment	12,402,813	1,588,963	902,564	13,089,212
Service vehicles and equipment	354,211	26,510	21,147	359,574
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,284,254	187,410	20,055	1,451,609
Miscellaneous revenue equipment	1,472,079	181,798	-	1,653,877
Less Accumulated Depreciation	<u>21,167,757</u>	<u>3,112,419</u>	<u>943,766</u>	<u>23,336,410</u>
Capital Assets Being Depreciated, Net	<u>37,803,028</u>	<u>(998,645)</u>	<u>-</u>	<u>36,804,383</u>
Capital Assets, Net	<u>\$ 41,661,903</u>	<u>\$ (998,645)</u>	<u>\$ -</u>	<u>\$ 40,663,258</u>

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 8 - Capital Assets (continued)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land	\$ 3,858,875	\$ -	\$ -	\$ 3,858,875
Capital Assets Being Depreciated				
Land improvements	559,402	30,004	-	589,406
Buildings and improvements	33,932,669	1,344,029	-	35,276,698
Revenue vehicles and equipment	17,501,682	1,553,000	1,182,034	17,872,648
Service vehicles and equipment	353,609	14,413	-	368,022
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,481,481	75,760	2,227	1,555,014
Miscellaneous revenue equipment	2,715,890	102,251	-	2,818,141
Total Capital Assets Being Depreciated	57,035,589	3,119,457	1,184,261	58,970,785
Less Accumulated Depreciation for				
Land improvements	451,023	16,856	-	467,879
Buildings and improvements	3,591,499	1,104,166	-	4,695,665
Revenue vehicles and equipment	11,903,859	1,623,197	1,124,243	12,402,813
Service vehicles and equipment	353,610	601	-	354,211
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,109,233	177,125	2,104	1,284,254
Miscellaneous revenue equipment	1,301,675	170,404	-	1,472,079
Less Accumulated Depreciation	19,201,755	3,092,349	1,126,347	21,167,757
Capital Assets Being Depreciated, Net	37,833,834	27,108	57,914	37,803,028
Capital Assets, Net	\$ 41,692,709	\$ 27,108	\$ 57,914	\$ 41,661,903

Note 9 - Line of Credit

The Authority has a \$1,000,000 unsecured line of credit with a bank at with an interest rate of 0.50 percentage points less than the prime rate, or 4% at June 30, 2014 and 2013. As of June 30, 2014 and 2013, no amount was outstanding against the line of credit.

Note 10 - Pension Plans

The Authority administers and contributes to two defined benefit pension plans: Red Rose Transit Authority Pension Plan and Red Rose Transit Authority Salaried Employees Pension Plan. The assets of the plans are invested separately, and each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 10 - Pension Plans (continued)

Plan Description and Funding Policy

Membership of each plan consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

	<u>Red Rose Transit Authority Pension Plan</u>	<u>Red Rose Transit Authority Salaried Employees Pension Plan</u>
Retirees and beneficiaries receiving benefits	42	11
Terminated plan members entitled to, but not yet receiving benefits	14	5
Active plan members	<u>68</u>	<u>27</u>
	<u>124</u>	<u>43</u>
Number of participating employers	<u>1</u>	<u>1</u>

Red Rose Transit Authority Pension Plan

The Red Rose Transit Authority Pension Plan is a single-employer defined benefit pension plan administered by the Authority. The pension plan provides pension benefits for normal retirement at the age of 62 and completion of ten years of service. The amount of pension is calculated based on the table below. Members become vested after ten years of service. Early retirement is available at age 55 with 20 years of service on a reduced basis. Authority employees who terminate after ten years of credited service will receive a deferred annuity commencing at normal retirement age. The plan also provides for late retirement and death and disability benefits.

<u>Participant Retirement Date</u>	<u>Amount per Month per Year of Service</u>
After March 31, 2009	\$ 39.50
After March 31, 2010	41.50
After March 31, 2011	43.50
After March 31, 2012	45.50
After March 31, 2013	46.50
After March 31, 2014	49.50

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 10 - Pension Plans (continued)

Red Rose Transit Authority Pension Plan (continued)

Funding Policy

Effective June 1, 2009, employee contributions are \$0.98 per hour and employer contributions are made at the rate of \$1.48 per hour. Effective June 1, 2012, employee contributions are made at the rate of \$1.24 per hour and employer contributions are made at the rate of \$1.85 per hour. Effective June 1, 2013, employee contributions are made at the rate of \$1.36 per hour and employer contributions are made at the rate of \$2.04 per hour. The Authority is required to contribute amounts necessary to fund the plan using the actuarial basis specified by statute.

Red Rose Transit Authority Salaried Employees Pension Plan

The Red Rose Transit Authority Salaried Employees Pension Plan is a single-employer defined benefit pension plan for salaried employees administered by the Authority. The pension plan provides pension benefits for normal retirement at the age of 65 and completion of ten years of service based on a formula using average monthly pay for the five highest consecutive years out of the last ten prior to retirement. Early retirement is available at age 55 with ten years of service on a reduced basis. Members become fully vested after ten years of service. The plan also provides for late retirement and death benefits.

Funding Policy

The Authority is required to contribute amounts necessary to fund the plan using the actuarial basis specified by statute.

Net Pension Assets

The Authority's annual pension cost and net pension asset for the current year are as follows:

	Red Rose Transit Authority Pension Plan	Red Rose Transit Authority Salaried Employees Pension Plan	Total
Annual required contribution	\$ 207,352	\$ 123,568	\$ 330,920
Annual Pension Cost	207,352	123,568	330,920
Contributions made	296,826	95,000	391,826
Change in Net Pension Asset (Obligation)	89,474	(28,568)	60,906
Net Pension Asset (Obligation), Beginning of Year	218,780	(9,752)	209,028
Net Pension Asset (Obligation), End of Year	\$ 308,254	\$ (38,320)	\$ 269,934

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 10 - Pension Plans (continued)

Red Rose Transit Authority Pension Plan

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 5.0%. Moderate inflation based on long-term historical average rates is a component of the actuarial assumptions used herein. Provision is not made for advance funding of sharply higher rates of inflation experienced in some years. The effects of such higher rates are reflected in the funding after their occurrence. Provision for administrative expenses is added to normal cost. The assumptions included withdrawal, mortality, and disability tables. Retirement is based upon normal retirement age or age on valuation date if greater. Liabilities for preretirement death benefit are computed on the assumption that all participants will have spouses of the same age at the date of eligibility for the benefit. The actuarial value of assets was determined by market value as determined by the trustee. The unfunded actuarial accrued liability is being amortized by the level dollar closed amortization method.

Three-Year Trend Information

Years Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
June 30, 2012	\$ 197,954	107 %	\$ 217,342
June 30, 2013	267,849	101	218,780
June 30, 2014	207,352	143	308,254

The funded status of the Plan's most recent actuarial valuation date of July 1, 2013 is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 5,151,312	\$ 6,413,975	\$ 1,262,663	80 %	\$ 3,286,408	38 %

Red Rose Transit Authority Salaried Employees Pension Plan

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 5.0%. Moderate inflation based on long-term historical average rates is a component of the actuarial assumptions used herein. Provision is not made for advance funding of sharply higher rates of inflation experienced in some years. The effects of such higher rates are reflected in the funding after their occurrence. Provision for administrative expenses is added to normal cost. The assumptions included withdrawal and mortality tables and social security. Retirement is based upon normal retirement age or age on valuation date if greater. Liabilities for preretirement death benefit are computed on the assumption that all participants will have spouses of the same age at the date of eligibility for the benefit. The actuarial value of assets was determined by market value as determined by the trustee. The unfunded actuarial accrued liability is being amortized equal to 10% of the negative unfunded actuarial accrued liability.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 10 - Pension Plans (continued)

Red Rose Transit Authority Salaried Employees Pension Plan (continued)

Three-Year Trend Information

Years Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Obligation)
June 30, 2012	\$ 91,411	88 %	\$ 12,243
June 30, 2013	113,406	81	(9,752)
June 30, 2014	123,568	77	(38,320)

The funded status of the Authority's Salaried Employees Pension Plan's most recent actuarial valuation date of July 1, 2013 is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
\$ 1,654,182	\$ 1,923,275	\$ 269,093	86 %	\$ 1,191,855	23 %

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information about the funded status is prepared using the entry age normal actuarial cost method.

Note 11 - Unearned Revenue under Commonwealth of Pennsylvania Act 49

In May 1984, the Pennsylvania Department of Transportation changed its methodology of determining the amount of operating assistance funding. This legislation, Act 49, allowed for an assumed rate of operating revenue that is retained by the Authority and utilized to offset deficits, ineligible expenditures, local share of capital grants, and other capital expenditures. At June 30, 2014 and 2013, the Authority has accumulated \$512,080, which is recorded as unearned revenue. Effective July 1, 1987, this legislation was superseded by Act 73.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 12 - Unearned Revenue under Commonwealth of Pennsylvania Act 26

In August 1991, the Pennsylvania legislature passed a dedicated source of funding for public transportation. This legislation, known as Act 26, provides for additional sales taxes to be collected by the Department of Revenue and passed through the Department of Transportation to transit authorities for both capital and capital asset maintenance costs. Under regulations promulgated by the Department of Transportation up to 50% or an amount approved by the Department of the Act 26 funds estimated to be received in each given year may be used for capital asset maintenance, and the balance may be used to fund Department pre-approved capital projects. Any funds not used in any given year must be carried over and used for capital projects only. This funding was replaced with Commonwealth of Pennsylvania funding under Act 44 beginning July 1, 2007. For the year ended June 30, 2014, the following transactions occurred relative to the Act 26 account:

Balance, July 1, 2013	\$ 18,833
Funds expended	<u>15,978</u>
Balance, June 30, 2014	<u><u>\$ 2,855</u></u>

Note 13 - Unearned Revenue under Commonwealth of Pennsylvania Act 44

In July 2007, the Pennsylvania legislature enacted Act 44 which provides a dedicated source of funding for public transportation. The funding under this Act replaces state operating grants, the State Senior Citizens Program Grant, and dedicated tax revenues under Act 26 and Act 3. Funding under Act 44 is to be used for operating purposes and requires certain levels of local government support. Funds not expended in the year of receipt can be carried forward for future operating expenses. For the year ended June 30, 2014, the following transactions occurred in relation to Act 44 account:

Balance, July 1, 2013	\$ 1,396,990
Funds received, state	<u>5,360,386</u>
Total Available	6,757,376
Funds expended	<u>3,813,525</u>
Balance, June 30, 2014	<u><u>\$ 2,943,851</u></u>

For the years ended June 30, 2014 and 2013, \$473,750 and \$440,646, respectively, of Act 44 funds was utilized to fund the Authority's State Senior Citizens Program and was recorded as revenue under that program net of prior year over fundings of \$-0-.

Note 14 - Disposition Proceeds/Restricted Net Position

The balance represents the proceeds from the disposal of vehicles. These funds and the interest earnings thereon are held in a restricted account to be expended in future years for the purchase of vehicles under the restrictions set forth in the related grants. At June 30, 2014 and 2013, the Authority has accumulated \$11,973 and \$21,655, respectively.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 15 - Capital Purchases/Restricted Net Position

The balance represents insurance or other proceeds received for the replacement of certain capital assets. These funds and the interest earnings thereon are held in a restricted account to be expended in future years for the replacement of the related capital assets. At June 30, 2014 and 2013, the Authority has accumulated \$9,883 and \$9,878, respectively.

Note 16 - Board-Designated Unrestricted Net Position

At June 30, 2014 and 2013, the Board of Directors of the Authority has designated \$80,131 and \$78,093, respectively, of unrestricted net position for self-insurance reserves.

Note 17 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance Property & Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the State Association for Transportation Insurance Property & Liability Pool for its property, general liability, automobile liability, automobile physical damage and crime, boiler and machinery, and public officials' errors and omissions insurance coverage. The agreement for formation of the State Association for Transportation Insurance Property & Liability Pool provides that the State Association for Transportation Insurance Property & Liability Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified for each type of coverage. In the event annual premiums are not sufficient to fund operations or obligations of the State Association for Transportation Insurance Property & Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the State Association for Transportation Insurance Property & Liability Pool and charged to operations during the years ended June 30, 2014 and 2013 amounted to \$284,958 and \$273,421, respectively.

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance Workers' Compensation Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the State Association for Transportation Insurance Workers' Compensation Pool for its workers' compensation insurance coverage. The agreement for formation of the State Association for Transportation Insurance Workers' Compensation Pool provides that the State Association for Transportation Insurance Workers' Compensation Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified. In the event annual premiums are not sufficient to fund operations or obligations of the State Association for Transportation Insurance Workers' Compensation Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the State Association for Transportation Insurance Workers' Compensation Pool and charged to operations during the years ended June 30, 2014 and 2013 amounted to \$349,122 and \$357,731, respectively.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 17 - Risk Management (continued)

The Authority carries commercial insurance for other risks of loss, including employee health and accident insurance.

For the years ended June 30, 2014 and 2013, there has been no significant reduction in insurance coverage from coverage in the prior years. Settled claims have not exceeded the insurance coverage purchased for the years ended June 30, 2014, 2013, and 2012.

Note 18 - Advertising

Advertising costs included in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013 were \$46,659 and \$53,846, respectively.

Note 19 - Commitments and Contingencies

Commitments

Bus Tire Lease

The Authority leases bus tires under the terms of two operating leases that call for monthly payments based on actual mileage. Mileage rates are based on the billing rate per tire mile in effect during the preceding month based on calculations included in the lease agreements. The leases run through 2015.

Parking Lot Lease

The Authority leases a parking lot for its park and ride program. Under the terms of the operating lease, monthly payments of \$900 are due through June 30, 2015. Total rent expense during the year amounted to \$10,800 for the years ended June 30, 2014 and 2013. The minimum rental commitment totaled \$10,800 as of June 30, 2014.

Renovations and Expansion

The Authority has made commitments at June 30, 2014 approximating \$27,670, related to the construction of additional facilities in downtown Lancaster. The expenditures will be funded through federal, state, and local capital grants.

Bus Purchase

The Authority has made commitments at June 30, 2014, approximating \$6,282,000, to purchase ten hybrid buses during the next fiscal year. The expenditures will be funded through federal, state, and local capital grants.

Other Capital Purchases

The Authority has other capital commitments at June 30, 2014 approximating \$927,000. The expenditures will be funded through federal, state, and local capital grants.

Note 19 - Commitments and Contingencies (continued)

Contingencies

Grants

A significant portion of the Authority's support is received from federal, state, and local governments in the form of operating and capital grant assistance. A significant reduction in the level of this support would have a material effect on the Authority's operations.

Capital Assets

Although title to the capital assets rests with the Authority, upon disposition, the proceeds may need to be returned to the federal, state, and local governments that initially funded their acquisition under the terms of the capital grants.

Audit

The grants received by the Authority are subject to audit by the federal and state governments. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

Unemployment Compensation

The Authority has elected to fund unemployment compensation insurance with the Commonwealth of Pennsylvania Unemployment Compensation Fund on a reimbursable status, whereby the Authority reimburses the Commonwealth for actual benefits paid to qualified claimants.

Litigation

Perrotto Builders, Ltd. v. Red Rose Transit Authority

Red Rose Transit Authority (RRTA) has been sued by Perrotto Builders, Ltd. (Perrotto) in the Court of Common Pleas of Lancaster County, Docket No. CI-11-12539. In addition, RRTA sued Perrotto, and the two actions have been consolidated for discovery and trial. The lawsuits arise from Perrotto's work as the general construction contractor on a project known as Queen Street Station, Phase II, in Lancaster, Pennsylvania (the Project). Perrotto has not plead a specific amount in controversy; however, Red Rose Transit Authority believes that Perrotto is seeking an amount in excess of \$800,000, representing the amount of payments RRTA withheld from Perrotto for work allegedly performed from June through August 2011, prior to RRTA's October 2011 termination of Perrotto from work at the Project, as well as additional unspecified damages for Perrotto's claim of wrongful termination. RRTA is aggressively defending against Perrotto's complaint.

RRTA has completed the Project and paid the subcontractors whose services were required to achieve completion. Moreover, RRTA filed its own complaint against Perrotto for damages associated with the collapse of an adjacent building while Perrotto was doing foundation work on the Project, and for contractual liquidated damages, among others, and these two counter-suits have been consolidated. Perrotto and RRTA have begun to mediate their disputes and will continue to work with a mediator in an attempt to avoid lengthy litigation. The litigation is temporarily on hold pending the completion of mediation.

Note 19 - Commitments and Contingencies (continued)

Contingencies (continued)

Litigation (continued)

Shannon A. Smith and Vision Mechanical v. Red Rose Transit Authority

RRTA has also been sued by two other prime contractors who performed work on the Project - Vision Mechanical (mechanical contractor) (Vision) and Shannon A. Smith (electrical contractor) (Smith). RRTA paid both contractors in full for their work on the Project. However, they are seeking to recover delay damages including home office overhead using the Eichleay formula. Vision values its claim at \$250,000 while Smith values its claim at \$240,000 plus attorneys' fees and interest under the Public Contracting Act. Because the contracts preclude claims for delay damages, RRTA will at the appropriate time file a dispositive motion asking the Court to dismiss the claims. RRTA denies liability to all contractors and will vigorously defend. RRTA has asserted its own counterclaim against Vision and Smith and asserted the affirmative defense of offset because of delays they caused on the Project. These actions have been consolidated with the Perrotto/RRTA actions.

Perrotto v. Haahs v. Red Rose Transit Authority

Perrotto sued Timothy Haahs & Associates (Haahs), the design professional on the Project, arguing that Haahs' plans and specifications were defective. Perrotto alleges those defects caused a neighboring building to collapse into the Project during excavation and shoring and resulted in delays for which Haahs is allegedly liable to Perrotto. Perrotto also alleges that certain features of the Project were unbuildable as designed, causing Perrotto to incur significant expenses to correct work that was already completed and to design its own remedies. This allegedly created delays and additional expense and ultimately resulted in RRTA's termination of Perrotto from the Project. The unspecified damages Perrotto seeks in the action against Haahs clearly duplicate some of the damages Perrotto seeks from RRTA, and the cases will therefore be consolidated.

Haahs joined RRTA in this action claiming that RRTA is liable for some of the damages sought by Perrotto. RRTA filed preliminary objections to the joinder complaint, and those are currently pending in Lancaster County. RRTA will continue to vigorously defend. This action will ultimately end up in a global mediation along with the above actions.

Parking Garage Tax Exempt Status

The City of Lancaster and the School District of Lancaster have asserted that they are appealing the tax exempt status of the parking garage. Appeals were filed earlier this year, but were limited to an appeal of the tax exempt status of the premises leased to for profit entities. There is one lease to a for profit entity, the Federal Taphouse, which is a restaurant and bar, the valuation for which was first issued in September 2013. This valuation is not in issue. However, the city and school district are now asserting that the parking garage is not exempt from taxes. The Authority believes that the parking garage is tax exempt under the law and will vigorously defend any appeals.

Red Rose Transit Authority

Notes to Financial Statements

June 30, 2014 and 2013

Note 20 - Mutual Cooperation Agreement

A joint committee was formed with Red Rose Transit Authority, Lancaster, Pennsylvania for the purpose of investigating what benefits could be realized from a merger of the Authorities. A resolution to move forward with the potential merger has been approved by the Board(s) of Directors of both Authorities. In addition, the County Commissioners of both Berks and Lancaster Counties have created South Central Transit Authority (SCTA), a joint authority to operate both systems. The new authority is governed by a ten member Board of Directors comprised of a total of five board members appointed by each County.

During December 2014, the Board of Directors of Red Rose Transit Authority entered in to a mutual cooperation agreement with SCTA effective January 1, 2015 through June 30, 2015. Under the terms of the agreement SCTA will provide all management, administrative, and support services to Red Rose Transit Authority in exchange for a monthly fee of \$175,000. The agreement may be renewed on a month to month basis upon mutual agreement.

Note 21 - Management Agreement

The Authority entered into a management agreement with Berks Area Regional Transportation Authority, Reading, Pennsylvania on October 21, 2013. The agreement called for Red Rose Transit Authority to provide executive director services to Berks Area Regional Transportation Authority. The original term was in effect through April 30, 2014 and called for payments totaling \$60,000 to be made, which was funded through a Technical Assistance Grant applied for by Red Rose Transit Authority. The agreement was extended on May 1, 2014 and again on August 1, 2014 for an additional period ending October 31, 2014. The contact extensions call for monthly payments in the amount of \$14,204, which covers the services of the executive director and also included information technology manager services. Management service revenue included in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2014 was \$87,408.

Note 22 - Reclassification

Certain items on the 2013 financial statements have been reclassified to conform with the 2014 presentation.

Note 23 - Subsequent Events

The Authority has evaluated subsequent events through December 30, 2014. This date is the date the financial statements were available to be issued. Except as discussed in Note 20, no events subsequent to June 30, 2014 were noted.

Red Rose Transit Authority

Schedule of Funding Progress, Pension Plans

Red Rose Transit Authority Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 3,343,254	\$ 4,612,266	\$ 1,269,012	72%	\$ 2,925,073	43%
July 1, 2011	4,334,725	5,547,037	1,212,312	78%	3,118,234	39%
July 1, 2013	5,151,312	6,413,975	1,262,663	80%	3,286,408	38%

Red Rose Transit Authority Salaried Employees Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 1,192,130	\$ 1,325,927	\$ 133,797	90%	\$ 1,101,359	12%
July 1, 2011	1,454,253	1,721,349	267,096	84%	1,151,945	23%
July 1, 2013	1,654,182	1,923,275	269,093	86%	1,191,855	23%

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Expenses

Year Ended June 30, 2014

Fixed Route Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ 2,459,212	\$ -	\$ -	\$ 2,459,212
2. Other salaries and wages	359,087	628,576	356,669	1,344,332
3. Fringe benefits	2,171,168	484,244	274,771	2,930,183
4. Services	-	184,389	54,423	238,812
5. Fuel and lubricants	1,127,983	-	-	1,127,983
6. Tires and tubes	-	65,688	-	65,688
7. Other materials and supplies	-	681,174	58,188	739,362
8. Utilities	-	-	136,475	136,475
9. Casualty and liability costs	-	-	279,067	279,067
10. Taxes	-	-	-	-
11. Purchased transportation	-	-	-	-
12. Misc. expenses	-	-	145,590	145,590
13. Expense transfers	-	-	-	-
14. Total System Expenses	\$ 6,117,450	\$ 2,044,071	\$ 1,305,183	9,466,704
Non-Fixed Route ADA Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	-
2. Other salaries and wages	-	-	45,952	45,952
3. Fringe benefits	-	-	34,870	34,870
4. Services	-	-	6,564	6,564
5. Fuel and lubricants	-	-	-	-
6. Tires and tubes	-	-	-	-
7. Other materials and supplies	-	-	1,652	1,652
8. Utilities	-	-	2,151	2,151
9. Casualty and liability costs	-	-	915	915
10. Taxes	-	-	-	-
11. Purchased transportation	535,230	79,293	147,913	762,436
12. Misc. expenses	-	-	829	829
13. Expense transfers	-	-	-	-
14. Total System Expenses	\$ 535,230	\$ 79,293	\$ 240,846	855,369
Non-Fixed Route Paratransit Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	-
2. Other salaries and wages	-	-	291,127	291,127
3. Fringe benefits	-	-	220,920	220,920
4. Services	-	-	41,586	41,586
5. Fuel and lubricants	-	-	-	-
6. Tires and tubes	-	-	-	-
7. Other materials and supplies	-	-	10,467	10,467
8. Utilities	-	-	13,626	13,626
9. Casualty and liability costs	-	-	5,796	5,796
10. Taxes	-	-	-	-
11. Purchased transportation	3,124,049	462,822	863,341	4,450,212
12. Misc. expenses	-	-	5,252	5,252
13. Expense transfers	-	-	-	-
14. Total System Expenses	\$ 3,124,049	\$ 462,822	\$ 1,452,115	5,038,986
Total Fixed Route and Non-Fixed Route Expenses				\$ 15,361,059

Red Rose Transit Authority

Schedule of Other Transportation Expenses

Year Ended June 30, 2014

Fixed Route Expenses	MATP		MATP Mileage Reimbursement	JARC	Total
	Non-Shared Ride Paratransit	Non-Shared Ride Paratransit			
1. Operating wages and salaries	\$ -	\$ -	\$ -	\$ -	\$ -
2. Other salaries and wages	-	42,758	-	11,628	54,386
3. Fringe benefits	-	32,446	-	8,824	41,270
4. Services	-	6,108	-	1,661	7,769
5. Fuel and lubricants	-	-	-	-	-
6. Tires and tubes	-	-	-	-	-
7. Other materials and supplies	-	1,537	-	418	1,955
8. Utilities	-	2,001	-	544	2,545
9. Casualty and liability costs	-	851	-	232	1,083
10. Taxes	-	-	-	-	-
11. Purchased transportation	-	628,398	-	198,355	826,753
12. Misc. expenses	-	771	-	210	981
13. Expense transfers	-	-	-	-	-
14. Mileage reimbursement	-	-	47,282	-	47,282
15. MATP - Non-Public Service Admin Reimbursement	-	-	6,506	-	6,506
16. Total System Expenses	\$ -	\$ 714,870	\$ 53,788	\$ 221,872	\$ 990,530

Red Rose Transit Authority

Reconciliation of Operating Expenses to Financial Statements Prepared Under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2014

Operating expenses reported on Schedule of Fixed Route and Non-Fixed Route Expenses	\$ 15,361,059
Operating expenses reported on Schedule of Other Transportation Expenses	<u>990,530</u>
Total Operating Expenses Per Schedules	<u>16,351,589</u>
Non Applied Reconciling Items	
Depreciation expense	3,112,419
Net pension benefit	(60,906)
Shared Ride co-pays netted against vendor invoices	(286,144)
Retiree life insurance reclassification	(2,000)
Miscellaneous	<u>510</u>
	<u>2,763,879</u>
Operating Expenses Reported on the Statement of Revenues, Expenses, and Changes in Net Position	<u><u>\$ 19,115,468</u></u>

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Revenues
Year Ended June 30, 2014

Fixed Route Revenue	Urban	Rural	Total	
1. Passenger fares	\$ 2,416,282	\$ -	\$ 2,416,282	
2. Advertising	100,659	-	100,659	
3. Charter	-	-	-	
4. Route guarantees	-	-	-	
Other Revenue	-	-		
5. Interest/investment income	3,030	-	3,030	
6. Misc/safety	258,504	-	258,504	
7. Misc/Parking Garage	626,070	-	626,070	
8. Misc/Other	-	-	-	
9. Total Fixed Route Revenues	3,404,545	-	3,404,545	
10. Gain on disposal	-	-	-	
11. Interest on capital	-	-	-	
12. Total Non-Applied Reconciling Items	-	-	-	
	\$ 3,404,545	\$ -	3,404,545	
Non-Fixed Route Revenue	ADA Paratransit	Shared Ride 65+ Lottery Sponsored	Standard Shared Ride Under 65	Total
1. Passenger fares	\$ 87,095	\$ 127,660	\$ 71,389	286,144
2. Advertising	-	-	-	-
3. Shared Ride Lottery trip reimbursement	-	1,457,514	-	1,457,514
4. PwD trip reimbursement	-	-	234,327	234,327
5. AAA	-	116,732	84,525	201,257
6. MH/MR - Shared Ride fare structure	-	10,704	1,143,221	1,153,925
7. W2W - Shared Ride fare structure	-	-	-	-
8. MATP - Shared Ride fare structure	-	-	1,629,489	1,629,489
Other Agencies/Third-Party Sponsors				
9. Smaller agencies in Lancaster	-	18,895	145,329	164,224
10. Identify	-	-	-	-
Other Revenue				
11. Shared Ride fare structure	-	-	-	-
12. Misc income	-	-	26,248	26,248
13. Interest	-	-	-	-
14. Identify	-	-	-	-
15. Interest/investment income	-	-	417	417
16. Total Non-Fixed Route Revenue	\$ 87,095	\$ 1,731,505	\$ 3,334,945	5,153,545
Total Fixed Route and Non-Fixed Route Revenues				\$ 8,558,090

Red Rose Transit Authority

Schedule of Other Transportation Revenues
Year Ended June 30, 2014

<u>Other Transportation Revenue</u>	<u>Total</u>
Contract Revenue	
1. MATP - Contract Rate Paratransit Revenue	\$ 714,871
2. W2W - Contract Rate Paratransit Revenue	-
3. JARC	194,407
4. Other	-
5. Other	-
Other Revenue	
6. MATP - Mileage Reimbursement	53,788
7. W2W - Other	-
8. Other/Sect 1513 to Balance Shared Ride	-
Admin Reimbursement	
9. MATP - Contract Rate Paratransit Admin	-
10. MATP - Mileage Reimbursement Admin	-
11. W2W - Admin/Case Management	-
12. Interest/Investment Income	-
13. Total Revenue	<u>\$ 963,066</u>

Red Rose Transit Authority

Reconciliation of Operating Revenues to Financial Statements Prepared Under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2014

Operating revenues reported on Schedule of Fixed Route and Non-Fixed Route Expenses	\$ 8,558,090
Operating revenues reported on Schedule of Other Transportation Expenses	<u>963,066</u>
Total Operating Revenues per Schedules	<u>9,521,156</u>
Reconciling Items	
Interest income	(777)
Shared Ride co-pays netted against vendor invoices	(286,144)
BARTA management grant revenue	12,533
Miscellaneous	<u>(262)</u>
	<u>(274,650)</u>
Operating Revenues Reported on the Statement of Revenues, Expenses, and Changes in Net Position	<u><u>\$ 9,246,506</u></u>

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Subsidies
Year Ended June 30, 2014

Fixed Route Subsidies	Fixed Route Urban	Fixed Route Rural	Total
1. Federal operating grant	\$ 2,250,000	\$ -	\$ 2,250,000
2. Federal capital grant to fund preventative maintenance costs	-	-	-
3. Federal capital grant to fund capital costs of contracting	-	-	-
4. Federal capital grant to fund associated capital maintenance costs	-	-	-
5. Other federal grants for operating costs	-	-	-
6. Subtotal Federal Subsidy	2,250,000	-	2,250,000
7. Act 44 Section 1513 Operating Grant amount charged - state share (prior years)	1,324,401	-	1,324,401
8. Act 44 Section 1513 Operating Grant amount charged - state share (current year)	2,207,423	-	2,207,423
9. Act 3 ASG grant amount charged - state share	-	-	-
10. Act 3 BSG grant amount charged - state share	-	-	-
11. Special Operating Grants - state share	-	-	-
12. Subtotal State Subsidy	3,531,824	-	3,531,824
13. Act 44 Section 1513 Operating Grant amount charged - local share (prior years)	-	-	-
14. Act 44 Section 1513 Operating Grant amount charged - local share (current year)	280,335	-	280,335
15. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - advertising source	-	-	-
16. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - private source	-	-	-
17. Act 3 ASG grant amount charged - local share	-	-	-
18. Act 3 BSG grant amount charged - local share	-	-	-
19. Special Operating Grants - local share	-	-	-
20. Subtotal Local Subsidy	280,335	-	280,335
21. Grand Total Subsidy	\$ 6,062,159	\$ -	6,062,159

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Subsidies (continued)

Year Ended June 30, 2014

Non-Fixed Route Subsidies	ADA Paratransit	Non-ADA Paratransit	Total
1. Federal operating grant	\$ 483,573	\$ -	483,573
2. Federal capital grant to fund preventative maintenance costs	-	-	-
3. Federal capital grant to fund capital costs of contracting	-	-	-
4. Federal capital grant to fund associated capital maintenance costs	-	-	-
5. Other federal grants for operating costs	-	-	-
6. Federal Shared Ride subsidy	-	-	-
7. Subtotal Federal Subsidy	483,573	-	483,573
8. Act 44 Section 1513 Operating Grant amount charged - state share (prior years)	72,589	-	72,589
9. Act 44 Section 1513 Operating Grant amount charged - state share (current year)	209,112	-	209,112
10. Act 3 ASG grant amount charged - state share	-	-	-
11. Act 3 BSG grant amount charged - state share	-	-	-
12. Special Operating Grants - state share	-	-	-
13. State Shared Ride subsidy	-	-	-
14. Subtotal State Subsidy	281,701	-	281,701
15. Act 44 Section 1513 Operating Grant amount charged - local share (prior years) - municipal source	-	-	-
16. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - municipal source	3,000	-	3,000
17. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - advertising source	-	-	-
18. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - private source	-	-	-
19. Act 3 ASG grant amount charged - local share	-	-	-
20. Act 3 BSG grant amount charged - local share	-	-	-
21. Special Operating Grants - local share	-	-	-
22. Local Shared Ride subsidy	-	-	-
23. Subtotal Local Subsidy	3,000	-	3,000
24. Grand Total Subsidy	\$ 768,274	\$ -	768,274
Total Fixed Route and Non-Fixed Route Expenses			\$ 6,830,433

Red Rose Transit Authority

Reconciliation of Operating Revenues to Financial Statement Prepared Under Accounting Principles Generally

Accepted in the United States of America

Year Ended June 30, 2014

Subsidies Reported on the Schedule of Fixed Route and Non-Fixed Expenses

\$ 6,830,433

Per Financial Statements

Nonoperating revenues - Federal government

\$ 2,733,573

Nonoperating revenues - Commonwealth of Pennsylvania

3,813,525

Nonoperating revenues - Local government

283,335

Subsidies Reported on the Statement of Revenues, Expenses, and Changes in Net Position

\$ 6,830,433

Red Rose Transit Authority

Schedule of LEG - Budget Summary

Year Ended June 30, 2014

	Fixed Route		Non-Fixed Route		Non-Public	Total
	Urban	Rural	ADA Paratransit Urban	Shared Ride Standard Urban	Other Transportation	
1. Total Operating Expenses	\$ 9,466,704	\$ -	\$ 855,369	\$ 5,038,986	\$ 990,530	\$ 16,351,589
2. Total Revenue	3,404,545	-	87,095	5,066,450	963,066	9,521,156
3. Operating Deficit	(6,062,159)	-	(768,274)	27,464	(27,464)	(6,830,433)
4. Total Subsidy	6,062,159	-	768,274	-	-	6,830,433
5. Applied Operating Balance	-	-	-	27,464	(27,464)	-
Non-Applied Reconciling Items						
6. Total Non-Applied Expense Items	-	-	-	-	-	-
7. Total Non-Applied Revenue Items	-	-	-	-	-	-
8. Total Non-Applied Subsidy Items	-	-	-	-	-	-
9. Operating Results per Audit	\$ -	\$ -	\$ -	\$ 27,464	\$ (27,464)	\$ -

Red Rose Transit Authority

Schedule S1 - Local Match Provided

Year Ended June 30, 2014

<u>Contributor Name</u>	<u>Date of Final Payment</u>	<u>Amount Provided</u>
Act 44 Section 1513 Local Match for Operating Funds Received		
County of Lancaster, PA	May 16, 2014	\$ 283,335
Act 44 Section 1514 Local Match for Capital Bond Funds Received		
County of Lancaster, PA		-
Act 44 Section 1516 Local Match for Programs of Statewide Significance		
County of Lancaster, PA		-
Grand Total		<u>\$ 283,335</u>

Red Rose Transit Authority

Schedule of Local Match Sources and Carryover
Year Ended June 30, 2014

Schedule of Local Match Carryover

Local match available June 30, 2013
Local match provided during year

\$ -
283,335

\$ 283,335

Local Match Expended

Section 1513 local match expended

283,335

283,335

Ending Balance June 30, 2014

\$ -

Schedule of Local Match Sources

Local Match Sources

County of Lancaster

\$ 283,335

Red Rose Transit AuthoritySchedule S5 - Urban Section 1513 Program Carryover
Year Ended June 30, 2014

	<u>Section 1513 State Grant</u>	<u>Section 1513 Required Local Match</u>	<u>Section 1513 Total</u>
A. FY 2013-14 Section 1513 URBAN Grant Agreement	<u>\$ 5,360,386</u>	<u>\$ 283,335</u>	<u>\$ 5,643,721</u>
Urban Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2014			
1. Section 1513 fund balance as of June 30, 2013	<u>\$ 1,396,990</u>	<u>\$ -</u>	<u>\$ 1,396,990</u>
2. Section 1513 funds received for FY 2013-14	<u>5,360,386</u>	<u>283,335</u>	<u>5,643,721</u>
3. PTAF Section 1513 funds received for FY 2013-14 (applicable to SEPTA and PAAC)	<u>-</u>	<u>-</u>	<u>-</u>
4. Total Section 1513 funds received for FY 2013-14 (Line 2+3, must agree with A. above)	<u>5,360,386</u>	<u>283,335</u>	<u>5,643,721</u>
5. Interest income earned on Section 1513 funds in FY 2013-14	<u>-</u>	<u>-</u>	<u>-</u>
6. Total Section 1513 Funds Available in FY 2013-14 (Line 1+4+5)	<u>6,757,376</u>	<u>283,335</u>	<u>7,040,711</u>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2013-14	<u>3,531,824</u>	<u>280,335</u>	<u>3,812,159</u>
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2013-14	<u>281,701</u>	<u>3,000</u>	<u>284,701</u>
9. Section 1513 used for Rural fixed route operating expenses in FY 2013-14	<u>-</u>	<u>-</u>	<u>-</u>
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2013-14	<u>-</u>	<u>-</u>	<u>-</u>
11. Section 1513 funds used for Urban capital costs in FY 2013-14 (waiver required)	<u>-</u>	<u>-</u>	<u>-</u>
12. Section 1513 funds used for Rural capital costs in FY 2013-14 (waiver required)	<u>-</u>	<u>-</u>	<u>-</u>
13. Total Section 1513 used in FY 2013-14(line 7+8+9+10+11+12)	<u>3,813,525</u>	<u>283,335</u>	<u>4,096,860</u>
14. Section 1513 Fund Balance as of June 30, 2014 (Line 6 Minus 13)	<u>\$ 2,943,851</u>	<u>\$ -</u>	<u>\$ 2,943,851</u>

Red Rose Transit AuthoritySchedule S5 - Urban Section 1513 Program Carryover (continued)
Year Ended June 30, 2014

Lines B 15 to B 26 are not applicable.

	<u>Section 1513 State Grant</u>	<u>Section 1513 Required Local Match</u>	<u>Section 1513 Total</u>
C. Total Agency Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2014			
27. Section 1513 fund balance as of June 30, 2013	\$ 1,396,990	\$ -	\$ 1,396,990
28. Section 1513 funds received for FY 2013-14	5,360,386	283,335	5,643,721
29. PTAF Section 1513 funds received for FY 2013-14 (applicable to SEPTA and PAAC)	-	-	-
30. Total Section 1513 funds received for FY 2013-14 (Line 28+29)	5,360,386	283,335	5,643,721
31. Interest income earned on Section 1513 funds in FY 2013-14	-	-	-
32. Total Section 1513 Funds available in FY 2013-14 (Line 27+30+31)	6,757,376	283,335	7,040,711
33. Section 1513 funds used for Urban fixed route operating expenses in FY 2013-14	3,531,824	280,335	3,812,159
34. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2013-14	281,701	3,000	284,701
35. Section 1513 funds used for Rural operating expenses FY 2013-14	-	-	-
36. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2013-14	-	-	-
37. Section 1513 funds used for Urban capital costs in FY 2013-14 (waiver required)	-	-	-
38. Section 1513 funds used for Rural capital costs in FY 2013-14 (waiver required)	-	-	-
39. Total Section 1513 used in FY 2013-14 (Line 33+34+35+36+37+38)	3,813,525	283,335	4,096,860
Section 1513 Fund Balance as of June 30, 2014 (Line 32 Minus 39)	\$ 2,943,851	\$ -	\$ 2,943,851

Red Rose Transit Authority

Shared Ride Expense Allocation Worksheet

Year Ended June 30, 2014

Please respond to the following questions. Do you use the same administrative staff/facilities and/or vehicles/drivers to:

1. Provide services (i.e. home-delivered meals, etc.) other than passenger transportation? Yes No
2. Provide transportation services other than shared ride (i.e. exclusive ride taxi, fixed route, charter, etc.)? Yes No
3. Provide transportation services at fares or contract rates which differ from the shared ride fare structure? Yes No

If you answered "yes" to any of the three questions, you **must** complete the Shared Ride Expense Allocation Worksheet.

Shared Ride Expense Allocation Worksheet

		% Allocated to Fixed Route	% Allocated to Paratransit (ADA)	% Allocated to Shared Ride	% Allocated to Non-Public	Basis for Allocation
1	Operators salaries and wages	- %	- %	- %	- %	Other
2	Other salaries and wages	- %	11.64 %	73.76 %	14.60 %	Other
3	Fringe benefits	- %	11.64 %	73.76 %	14.60 %	Other
4	Services	- %	11.64 %	73.76 %	14.60 %	Other
5	Fuel and lubricants	- %	- %	- %	- %	Other
6	Tires and tubes	- %	- %	- %	- %	Other
7	Other materials and supplies	- %	11.64 %	73.76 %	14.60 %	Other
8	Utilities	- %	11.64 %	73.76 %	14.60 %	Other
9	Casualty and liability costs	- %	11.64 %	73.76 %	14.60 %	Other
10	Taxes	- %	- %	- %	- %	Other
11	Purchased transportation	- %	11.64 %	73.76 %	14.60 %	Other
12	Miscellaneous expenses	- %	11.64 %	73.76 %	14.60 %	Other
13	Expense transfers	- %	11.64 %	73.76 %	14.60 %	Other