



# **Financial Statements and Supplementary Information**

**June 30, 2013 and 2012**

# **Red Rose Transit Authority**

---

## Table of Contents

June 30, 2013 and 2012

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 to 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 to 8
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10 and 11
Statement of Cash Flows	12 and 13
Notes to Financial Statements	14 to 33
Schedule of Funding Progress, Pension Plans	34
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Fixed Route and Non-Fixed Route Expenses	35
Schedule of Other Transportation Expenses	36
Reconciliation of Operating Expenses to Financial Statements Prepared Under Accounting Principles Generally Accepted in the United States of America	37
Schedule of Fixed Route and Non-Fixed Route Revenues	38
Schedule of Other Transportation Revenues	39
Reconciliation of Operating Revenues to Financial Statements Prepared Under Accounting Principles Generally Accepted in the United States of America	40
Schedule of Fixed Route and Non-Fixed Route Subsidies	41 and 42
Reconciliation of Operating Revenues to Financial Statements Prepared Under Accounting Principles Generally Accepted in the United States of America	43
Schedule of LEG-Budget Summary	44
Schedule S1 - Local Match Provided	45
Schedule of Local Match Sources and Carryover	46
Schedule S5 - Urban Section 1513 Program Carryover	47 and 48
Shared Ride Expense Allocation Worksheet	49



## 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, 2013 and 2012, 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, 2013 and 2012, 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 8 and page 34 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**

The accompanying schedules listed as supplementary information on pages 35 to 49 are presented for purposes of complying with financial reporting requirements of the Pennsylvania Department of Transportation and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

## **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 17, 2013 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.

**Other**

As further described in Note 2, during the year ended June 30, 2013, the Authority adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Authority's financial statements have been restated to conform to these pronouncements as of July 1, 2011.

*Reinsel Kintz Leshner LLP*

December 17, 2013  
Lancaster, Pennsylvania

## **Red Rose Transit Authority**

---

### Management's Discussion and Analysis

June 30, 2013 and 2012

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, 2013. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

#### **Authority Activities and Highlights**

- The Authority's net position decreased approximately \$51,000 for the year ended June 30, 2013, compared to an increase of approximately \$2,831,000 and \$10,368,000 for the years ended June 30, 2012 and 2011, 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 \$3,098,000, \$5,345,000, and \$12,600,000 for the years ended June 30, 2013, 2012, and 2011, respectively.
- The Authority's operating revenues were relatively flat for the year ended June 30, 2013, and increased approximately 3.5% and 8.0%, or \$315,000 and \$675,000, for the years ended June 30, 2012 and 2011, respectively. The decrease is primarily the result of a decrease in passenger fares and revenue from the Medical Assistance Transportation Program (MATP) grant during 2013. For the years ended June 30, 2013, 2012, and 2011, passenger fares approximated \$4,274,000, \$4,561,000, and \$4,288,000, respectively.
- The Authority's operating expenses increased approximately 6.3%, 1.6%, and 5.2%, or \$1,144,700, \$246,000, and \$867,000, respectively, from the preceding year for the years ended June 30, 2013, 2012, and 2011. The opening of the parking garage and operations of the Queen Street Station were the primary causes for the increase in operating expenses.
- The Authority provided 2,197,582 passenger trips during fiscal year 2013 compared to 2,260,502 and 2,198,314 in the fiscal years 2012 and 2011. The decrease represented a 2.8% decrease for 2013 compared to a 2.8% increase in system ridership for 2012. This included a 2.0% increase in passengers using the Authority's fixed route system. From 2012 to 2013 passenger trips decreased by 62,920 trips and from 2011 to 2012 passenger trips increased by 62,188.

#### **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 the 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, 2013 and 2012

#### 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 the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements. The notes to the 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. Required supplementary information can be found on page 34 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 \$42,256,000, \$42,308,000, and \$39,476,000 as of June 30, 2013, 2012, and 2011, respectively.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>	<b>\$ 3,110,703</b>	\$ 3,711,796	\$ 4,822,791
<b>Noncurrent Assets</b>			
Capital assets, net	<b>41,661,903</b>	41,692,709	38,894,202
Noncurrent assets	<b>209,028</b>	229,585	226,754
<b>Total Assets</b>	<b>44,981,634</b>	45,634,090	43,943,747
<b>Current Liabilities</b>	<b>2,725,261</b>	3,326,443	4,467,572
Invested in capital assets	<b>41,661,903</b>	41,692,709	38,894,202
Restricted	<b>31,533</b>	33,502	34,309
Unrestricted	<b>562,937</b>	581,436	547,664
<b>Total Net Position</b>	<b>\$ 42,256,373</b>	\$ 42,307,647	\$ 39,476,175

## Red Rose Transit Authority

### Management's Discussion and Analysis

June 30, 2013 and 2012

#### Financial Analysis (continued)

By far the largest portion of the Authority's net assets, 98.6%, 98.5%, and 98.5% as of June 30, 2013, 2012, and 2011, 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, 2013, 2012, and 2011, represents resources that are subject to external restrictions on how they may be used. The remaining balance of approximately \$563,000, \$581,000, and \$548,000 at June 30, 2013, 2012, and 2011, respectively, represents unrestricted surplus.

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Passenger fares	\$ 4,273,842	\$ 4,560,925	\$ 4,287,752
Government fare programs	4,373,716	4,634,365	4,643,756
Other operating revenues	<u>723,505</u>	<u>190,048</u>	<u>139,045</u>
<b>Total Revenues</b>	<b><u>9,371,063</u></b>	<b><u>9,385,338</u></b>	<b><u>9,070,553</u></b>
Salaries and payroll taxes	4,261,331	3,967,454	4,066,727
Fringe benefits	3,294,035	2,730,640	2,717,843
Purchased transportation	6,011,071	6,380,820	6,451,144
Other operating expenses	2,741,622	2,629,124	2,228,619
Depreciation	<u>3,092,349</u>	<u>2,547,692</u>	<u>2,189,796</u>
<b>Total Operating Expenses</b>	<b><u>19,400,408</u></b>	<b><u>18,255,730</u></b>	<b><u>17,654,129</u></b>
Federal government	2,457,268	2,206,078	1,598,211
Commonwealth of Pennsylvania Act 44	4,186,164	3,888,119	4,499,715
Local governments	269,843	256,993	244,753
Interest income	2,587	7,670	12,342
Interest expense	(800)	(2,355)	-
Gain (loss) on disposal of equipment	<u>(35,313)</u>	<u>-</u>	<u>2,940</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>6,879,749</u></b>	<b><u>6,356,505</u></b>	<b><u>6,357,961</u></b>
Capital grant funding	<u>3,098,322</u>	<u>5,345,359</u>	<u>12,593,217</u>
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ (51,274)</u></b>	<b><u>\$ 2,831,472</u></b>	<b><u>\$ 10,367,602</u></b>

## Red Rose Transit Authority

### Management's Discussion and Analysis

June 30, 2013 and 2012

#### Financial Analysis (continued)

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, 2013, 2012, and 2011, net of accumulated depreciation, amounted to approximately \$41,662,000, \$41,693,000, and \$38,894,000, respectively. These amounts represent a net decrease (including additions, deletions, and depreciation) of approximately \$30,800 for the year ended June 30, 2013, and net increases of approximately \$2,799,000 and \$10,446,000 for the years ended June 30, 2012 and 2011, respectively.

	<b>Capital Assets at June 30 (Net of Accumulated Depreciation)</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Land and land improvements	\$ 3,980,403	\$ 3,967,254	\$ 4,007,076
Buildings and improvements	30,581,032	30,341,169	27,415,398
Revenue vehicles and equipment	5,469,834	5,597,822	6,019,891
Service vehicles and equipment	13,812	-	26,452
Furniture and office equipment	270,760	372,248	14,602
Miscellaneous revenue equipment	1,346,062	1,414,216	1,410,783
	<b>\$ 41,661,903</b>	<b>\$ 41,692,709</b>	<b>\$ 38,894,202</b>

During the years ended June 30, 2013, 2012, and 2011, the Authority expended approximately \$3,828,000, \$6,129,000, and \$13,584,000, respectively, on capital asset activities.

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

#### 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, 2013 and 2012, 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.

## **Red Rose Transit Authority**

---

### Management's Discussion and Analysis

June 30, 2013 and 2012

#### **Economic Factors**

The uncertain economy again resulted in a modest ridership decrease for RRTA's fixed route service during FY 2013 with a decrease of 2.0% 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 7.2% 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 one full year 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 three new hybrid buses early in the fiscal year and operating data is showing a 30% improvement in fuel economy. Two additional hybrid buses were ordered to replace one bus that is over 12 years old and one bus that was destroyed in a fire in April 2013. These two hybrid buses are expected to be delivered in the Fall of 2013 and will be the latest generation of electric drive vehicles that are projected to increase fuel economy by as much as 50%.

RRTA is planning on 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.

#### **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,	
	2013	2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents, unrestricted	\$ 505,801	\$ 600,036
Cash and cash equivalents, restricted	1,415,823	1,362,640
Accounts receivable	552,911	549,357
Inventories	335,936	329,701
Prepaid expenses	76,020	72,650
Operating assistance and planning grants receivable	224,212	797,412
<b>Total Current Assets</b>	<b>3,110,703</b>	<b>3,711,796</b>
<b>Noncurrent Assets</b>		
Capital assets not being depreciated	3,858,875	3,858,875
Capital assets being depreciated, net	37,803,028	37,833,834
<b>Total Capital Assets</b>	<b>41,661,903</b>	<b>41,692,709</b>
Other asset, net pension benefit	209,028	229,585
<b>Total Assets</b>	<b>44,981,634</b>	<b>45,634,090</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable - operating	585,689	579,065
Accounts payable - capital	22,366	731,359
Accrued wages	89,783	55,092
Payroll withholdings	72,648	59,371
Unearned Act 26 revenue	18,833	88,350
Unearned Act 44 revenue	1,396,990	1,274,290
Unearned Act 49 revenue	512,080	512,080
Other unearned revenue	26,872	26,836
<b>Total Liabilities</b>	<b>2,725,261</b>	<b>3,326,443</b>
<b>Net Position</b>		
<b>Net Position</b>		
Invested in capital assets	41,661,903	41,692,709
Restricted for		
Disposition proceeds	21,655	2,511
Capital purchases	9,878	30,991
	31,533	33,502
Unrestricted	562,937	581,436
<b>Total Net Position</b>	<b>\$ 42,256,373</b>	<b>\$ 42,307,647</b>

See accompanying notes.

## Red Rose Transit Authority

### Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2013	2012
<b>Operating Revenues</b>		
Passenger fares	\$ 4,273,842	\$ 4,560,925
State Senior Citizens Program	440,646	440,646
State Medical Assistance Transportation Program	2,480,071	2,737,623
State Shared Ride Program	1,452,999	1,456,096
Other contract revenue	4,215	3,203
Advertising	129,218	89,580
Miscellaneous income	590,072	97,265
<b>Total Operating Revenues</b>	<b>9,371,063</b>	<b>9,385,338</b>
<b>Operating Expenses</b>		
Salaries and wages	4,261,331	3,967,454
Fringe benefits	3,294,035	2,730,640
Services	286,925	186,990
Fuel and lubricants	1,179,868	1,221,396
Tires and tubes	62,580	63,401
Other materials and supplies	642,546	700,068
Utilities	158,646	96,273
Casualty and liability	275,680	260,164
Purchased transportation	6,011,071	6,380,820
Miscellaneous expense	135,377	100,832
Depreciation	3,092,349	2,547,692
<b>Total Operating Expenses</b>	<b>19,400,408</b>	<b>18,255,730</b>
<b>Loss from Operations</b>	<b>(10,029,345)</b>	<b>(8,870,392)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Capital funds used for operating assistance and planning grants		
Federal government	2,457,268	2,206,078
Commonwealth of Pennsylvania Act 44 Funds	4,186,164	3,888,119
Local governments	269,843	256,993
<b>Total Operating and Planning Grants</b>	<b>6,913,275</b>	<b>6,351,190</b>
Interest income	2,587	7,670
Loss on disposal of capital assets	(35,313)	-
Interest expense	(800)	(2,355)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,879,749</b>	<b>6,356,505</b>
<b>Loss Before Capital Grant Funding</b>	<b>(3,149,596)</b>	<b>(2,513,887)</b>

## Red Rose Transit Authority

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

	Years Ended June 30,	
	2013	2012
<b>Capital Grant Funding</b>		
Federal government	2,105,653	3,600,330
State government	923,152	1,612,686
Local governments and other	69,517	132,343
<b>Total Capital Grant Funding</b>	<b>3,098,322</b>	<b>5,345,359</b>
<b>Increase (Decrease) in Net Position</b>	<b>(51,274)</b>	<b>2,831,472</b>
<b>Net Position, Beginning of the Year</b>	<b>42,307,647</b>	<b>39,476,175</b>
<b>Net Position, End of the Year</b>	<b>\$ 42,256,373</b>	<b>\$ 42,307,647</b>

## Red Rose Transit Authority

### Statement of Cash Flows

	Years Ended June 30,	
	2013	2012
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 8,777,473	\$ 9,466,218
Cash payments to suppliers for goods and services	(11,461,553)	(11,489,291)
Cash payments to employees for services	(4,780,962)	(4,549,296)
Other operating cash receipts	590,072	97,265
<b>Net Cash Used in Operating Activities</b>	<b>(6,874,970)</b>	<b>(6,475,104)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Receipts from operating and planning grants	7,035,975	6,428,883
Interest expense	(800)	(2,355)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>7,035,175</b>	<b>6,426,528</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Receipts from capital grants	3,602,005	6,167,742
Receipts from sale of capital assets	22,601	-
Purchase of capital assets	(3,828,450)	(6,129,374)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(203,844)</b>	<b>38,368</b>
<b>Cash Flows Provided by Investing Activities</b>		
Interest income received	2,587	7,670
<b>Net Decrease in Cash</b>	<b>(41,052)</b>	<b>(2,538)</b>
<b>Cash at Beginning of Year</b>	<b>1,962,676</b>	<b>1,965,214</b>
<b>Cash at End of Year</b>	<b>\$ 1,921,624</b>	<b>\$ 1,962,676</b>

## Red Rose Transit Authority

### Statement of Cash Flows (continued)

	Years Ended June 30,	
	2013	2012
<b>Reconciliation of Loss from Operations to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (10,029,345)	\$ (8,870,392)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	3,092,349	2,547,692
Change in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(3,554)	178,098
Inventories	(6,235)	(8,718)
Prepaid expenses	(3,370)	554
Net pension benefit	20,557	(2,831)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	54,592	(319,554)
Other deferred inflows	36	47
<b>Net Cash Used in Operating Activities</b>	<b>\$ (6,874,970)</b>	<b>\$ (6,475,104)</b>

## **Red Rose Transit Authority**

---

### Notes to Financial Statements

June 30, 2013 and 2012

#### **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; federal, state, and local operating; and 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.

**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**

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 they are maintained in separate bank accounts and 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

## **Red Rose Transit Authority**

### Notes to Financial Statements

June 30, 2013 and 2012

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

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

###### **Investments (continued)**

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.

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.

###### **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.

###### **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.

## **Red Rose Transit Authority**

---

### Notes to Financial Statements

June 30, 2013 and 2012

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

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

###### **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:

Invested 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 "invested 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 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting of deferred inflows and outflows of resources which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. The Authority adopted this statement in its June 30, 2013 financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to reclassify certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement is effective for periods beginning after December 15, 2012; however, the Authority early adopted this statement in its June 30, 2013 financial statements.

## **Red Rose Transit Authority**

---

### Notes to Financial Statements

June 30, 2013 and 2012

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Recent Accounting Pronouncements (continued)**

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.

#### **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, 2013 and 2012, the carrying amounts of the Authority's bank deposits were \$1,825,307 and \$1,845,271, respectively, and the corresponding bank balances were \$1,969,055 and \$2,074,367, respectively, of which \$1,719,055 and \$1,824,367, 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, 2013 and 2012.

## Red Rose Transit Authority

### Notes to Financial Statements

June 30, 2013 and 2012

#### Note 5 - Cash and Cash Equivalents (continued)

##### Investments

As of June 30, 2013 and 2012, the Authority had the following investments and maturities:

Investment Type	Investment Maturities (in Years)	
	Fair Value	Less than One Year
<b>June 30, 2013</b>		
PA INVEST	\$ 82,886	\$ 82,886
PLGIT	9,952	9,952
	<u>\$ 92,838</u>	<u>\$ 92,838</u>
<b>June 30, 2012</b>		
PA INVEST	\$ 103,976	\$ 103,976
PLGIT	9,950	9,950
	<u>\$ 113,926</u>	<u>\$ 113,926</u>

As of June 30, 2013 and 2012, 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 at June 30, 2013 and 2012 consist of the following:

	2013	2012
Commonwealth of Pennsylvania, Act 44	\$ 1,396,990	\$ 1,274,290
Commonwealth of Pennsylvania, Act 26	18,833	88,350
	<u>\$ 1,415,823</u>	<u>\$ 1,362,640</u>

**Red Rose Transit Authority**

## Notes to Financial Statements

June 30, 2013 and 2012

**Note 7 - Capital Grants Receivable**

At June 30, 2013 and 2012, the following amounts are due on capital project grants:

	<u>2013</u>	<u>2012</u>
Federal government	\$ 50,938	\$ 587,319
Commonwealth of Pennsylvania	<u>173,274</u>	<u>210,093</u>
	<u>\$ 224,212</u>	<u>\$ 797,412</u>

**Note 8 - Capital Assets**

Capital asset activity for the years ended June 30, 2013 and 2012 is as follows:

	<u>2013</u>			<u>Balance June 30, 2013</u>
	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 3,858,875	\$ -	\$ -	\$ 3,858,875
<b>Total Capital Assets Not Being Depreciated</b>	<u>3,858,875</u>	<u>-</u>	<u>-</u>	<u>3,858,875</u>
<b>Capital Assets Being Depreciated</b>				
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	<u>2,715,890</u>	<u>102,251</u>	<u>-</u>	<u>2,818,141</u>
<b>Total Capital Assets Being Depreciated</b>	<u>57,035,589</u>	<u>3,119,457</u>	<u>1,184,261</u>	<u>58,970,785</u>

## Red Rose Transit Authority

### Notes to Financial Statements

June 30, 2013 and 2012

#### Note 8 - Capital Assets (continued)

	2013			Balance June 30, 2013
	Balance July 1, 2012	Additions	Deletions	
<b>Less Accumulated Depreciation for</b>				
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	353,609	601	-	354,210
Shop and garage equipment	490,857	-	-	490,857
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
<b>Total Accumulated Depreciation</b>	19,201,755	3,092,349	1,126,347	21,167,757
<b>Total Capital Assets Being Depreciated, Net</b>	37,833,834	27,108	57,914	37,803,028
<b>Total Capital Assets, Net</b>	\$ 41,692,709	\$ 27,108	\$ 57,914	\$ 41,661,903
	2012			
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 3,858,875	\$ -	\$ -	\$ 3,858,875
Projects in progress	7,811,132	-	7,811,132	-
<b>Total Capital Assets Not Being Depreciated</b>	11,670,007	-	7,811,132	3,858,875

**Red Rose Transit Authority**

## Notes to Financial Statements

June 30, 2013 and 2012

**Note 8 - Capital Assets (continued)**

	<b>2012</b>			
	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
<b>Capital Assets Being Depreciated</b>	559,402	-	-	559,402
Land improvements				
Buildings and improvements	22,645,721	12,062,594	775,646	33,932,669
Revenue vehicles and equipment	16,593,067	1,152,867	244,252	17,501,682
Service vehicles and equipment	353,609	-	-	353,609
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	990,306	529,964	38,789	1,481,481
Miscellaneous revenue equipment	2,528,339	187,551	-	2,715,890
<b>Total Capital Assets Being Depreciated</b>	<b>44,161,300</b>	<b>13,932,976</b>	<b>1,058,687</b>	<b>57,035,589</b>
<b>Less Accumulated Depreciation for</b>				
Land improvements	411,202	39,821	-	451,023
Buildings and improvements	3,041,456	550,043	-	3,591,499
Revenue vehicles and equipment	10,573,175	1,574,936	244,252	11,903,859
Service vehicles and equipment	327,158	26,451	-	353,609
Shop and garage equipment	490,857	-	-	490,857
Furniture and office equipment	975,704	172,319	38,790	1,109,233
Miscellaneous revenue equipment	1,117,553	184,122	-	1,301,675
<b>Total Accumulated Depreciation</b>	<b>16,937,105</b>	<b>2,547,692</b>	<b>283,042</b>	<b>19,201,755</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>27,224,195</b>	<b>11,385,284</b>	<b>775,645</b>	<b>37,833,834</b>
<b>Total Capital Assets, Net</b>	<b>\$ 38,894,202</b>	<b>\$ 11,385,284</b>	<b>\$ 8,586,777</b>	<b>\$ 41,692,709</b>

## Red Rose Transit Authority

### Notes to Financial Statements

June 30, 2013 and 2012

#### 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, 2013 and 2012. As of June 30, 2013 and 2012, 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.

##### Plan Description and Funding Policy

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

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

## Red Rose Transit Authority

### Notes to Financial Statements

June 30, 2013 and 2012

#### Note 10 - Pension Plans (continued)

##### 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 10 years of service. The amount of pension is calculated based on the table below. Members become vested after 10 years of service. Early retirement is available at age 55 with 20 years of service on a reduced basis. Authority employees who terminate after 10 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

##### 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 10 years of service based on a formula using average monthly pay for the 5 highest consecutive years out of the last 10 prior to retirement. Early retirement is available at age 55 with 10 years of service on a reduced basis. Members become fully vested after 10 years of service. The plan also provides for late retirement and death benefits.

## Red Rose Transit Authority

Notes to Financial Statements

June 30, 2013 and 2012

### Note 10 - Pension Plans (continued)

#### Red Rose Transit Authority Salaried Employees Pension Plan (continued)

##### 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	\$ 427,589	\$ 113,406	\$ 540,995
Annual required contribution adjustment	(159,740)	-	(159,740)
<b>Annual Pension Cost</b>	<b>267,849</b>	<b>113,406</b>	<b>381,255</b>
Contributions made	269,287	91,411	360,698
<b>Change in Net Pension Asset</b>	<b>1,438</b>	<b>(21,995)</b>	<b>(20,557)</b>
<b>Net Pension Assets at Beginning of Year</b>	<b>217,342</b>	<b>12,243</b>	<b>229,585</b>
<b>Net Pension Assets (Obligation) at End of Year</b>	<b>\$ 218,780</b>	<b>\$ (9,752)</b>	<b>\$ 209,028</b>

#### 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.

## Red Rose Transit Authority

### Notes to Financial Statements

June 30, 2013 and 2012

#### Note 10 - Pension Plans (continued)

##### Red Rose Transit Authority Pension Plan (continued)

###### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/11	\$ 191,849	117 %	\$ 203,100
6/30/12	197,954	107	217,342
<b>6/30/13</b>	<b>267,849</b>	<b>101</b>	<b>218,780</b>

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

<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
\$ 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.

###### Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset (Obligation)</u>
6/30/11	\$ 92,138	88 %	\$ 23,654
6/30/12	91,411	88	12,243
<b>6/30/13</b>	<b>113,406</b>	<b>81</b>	<b>(9,752)</b>

## Red Rose Transit Authority

Notes to Financial Statements

June 30, 2013 and 2012

### Note 10 - Pension Plans (continued)

#### Red Rose Transit Authority Salaried Employees Pension Plan (continued)

##### Three-Year Trend Information (continued)

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
\$ 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, 2013 and 2012, 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, 2013 and 2012

#### 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, 2013, the following transactions occurred relative to the Act 26 account:

<b>Balance, July 1, 2012</b>	\$ 88,350
Investment income	<u>-</u>
<b>Total Available</b>	88,350
Funds expended	<u>69,517</u>
<b>Balance, June 30, 2013</b>	<u><b>\$ 18,833</b></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, 2013, the following transactions occurred in relation to Act 44 account:

<b>Balance, July 1, 2012</b>	\$ 1,274,290
Funds received, state	<u>4,749,510</u>
<b>Total Available</b>	6,023,800
Funds expended	<u>4,626,810</u>
<b>Balance, June 30, 2013</b>	<u><b>\$ 1,396,990</b></u>

For the years ended June 30, 2013 and 2012, \$440,646 and \$443,976, 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-.

## **Red Rose Transit Authority**

---

### Notes to Financial Statements

June 30, 2013 and 2012

#### **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, 2013 and 2012, the Authority has accumulated \$21,655 and \$2,511, respectively.

#### **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, 2013 and 2012, the Authority has accumulated \$9,878 and \$30,991, respectively.

#### **Note 16 - Board-Designated Unrestricted Net Position**

At June 30, 2013 and 2012, the Board of Directors of the Authority has designated \$78,093 and \$76,034, 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, 2013 and 2012 amounted to \$273,421 and \$258,548, respectively.

## **Red Rose Transit Authority**

---

### Notes to Financial Statements

June 30, 2013 and 2012

#### **Note 17 - Risk Management (continued)**

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, 2013 and 2012 amounted to \$357,731 and \$171,249, respectively.

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

For the years ended June 30, 2013 and 2012, 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, 2013, 2012, and 2011.

#### **Note 18 - Advertising**

Advertising costs included in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012 were \$53,846 and \$49,507, 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, 2013. Total rent expense during the year amounted to \$10,800 for the years ended June 30, 2013 and 2012. There is no minimum rental commitment as of June 30, 2013.

## **Red Rose Transit Authority**

---

Notes to Financial Statements

June 30, 2013 and 2012

### **Note 19 - Commitments and Contingencies (continued)**

#### **Commitments (continued)**

##### **Renovations and Expansion**

The Authority has made commitments at June 30, 2013 approximating \$152,000, 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, 2013, approximating \$1,217,000, to purchase two 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, 2013 approximating \$436,000. The expenditures will be funded through federal, state, and local capital grants.

#### **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.

**Note 19 - Commitments and Contingencies (continued)**

**Contingencies (continued)**

**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 (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.

**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.

**Note 19 - Commitments and Contingencies (continued)**

**Contingencies (continued)**

**Litigation (continued)**

**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.

**Note 20 - Subsequent Events**

The Authority has evaluated subsequent events through December 17, 2013. This date is the date the financial statements were available to be issued. In October 2013, the Authority entered into a management agreement with another local public transportation authority. No other material events subsequent to June 30, 2013 and through December 17, 2013 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 (Overfunded) AAL UAAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) 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, 2013

Fixed Route Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ 2,569,164	\$ -	\$ -	\$ 2,569,164
2. Other salaries and wages	341,721	597,499	352,475	1,291,695
3. Fringe benefits	2,241,234	460,044	271,388	2,972,666
4. Services	-	164,341	57,435	221,776
5. Fuel and lubricants	1,179,868	-	-	1,179,868
6. Tires and tubes	-	62,578	-	62,578
7. Other materials and supplies	-	600,073	30,151	630,224
8. Utilities	-	-	141,318	141,318
9. Casualty and liability costs	-	-	259,300	259,300
10. Taxes	-	-	-	-
11. Purchased transportation	-	-	-	-
12. Misc. expenses	-	-	111,680	111,680
13. Expense transfers	-	-	-	-
<b>14. Total System Expenses</b>	<b>\$ 6,331,987</b>	<b>\$ 1,884,535</b>	<b>\$ 1,223,747</b>	<b>9,440,269</b>

Non-Fixed Route ADA Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	-
2. Other salaries and wages	-	-	44,890	44,890
3. Fringe benefits	-	-	33,943	33,943
4. Services	-	-	7,303	7,303
5. Fuel and lubricants	-	-	-	-
6. Tires and tubes	-	-	-	-
7. Other materials and supplies	-	-	1,381	1,381
8. Utilities	-	-	1,942	1,942
9. Casualty and liability costs	-	-	1,836	1,836
10. Taxes	-	-	-	-
11. Purchased transportation	522,563	77,417	144,412	744,392
12. Misc. expenses	-	-	764	764
13. Expense transfers	-	-	-	-
<b>14. Total System Expenses</b>	<b>\$ 522,563</b>	<b>\$ 77,417</b>	<b>\$ 236,471</b>	<b>836,451</b>

Non-Fixed Route Paratransit Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	-
2. Other salaries and wages	-	-	304,405	304,405
3. Fringe benefits	-	-	230,172	230,172
4. Services	-	-	49,522	49,522
5. Fuel and lubricants	-	-	-	-
6. Tires and tubes	-	-	-	-
7. Other materials and supplies	-	-	9,367	9,367
8. Utilities	-	-	13,171	13,171
9. Casualty and liability costs	-	-	12,451	12,451
10. Taxes	-	-	-	-
11. Purchased transportation	3,347,288	495,894	925,034	4,768,216
12. Misc. expenses	-	-	5,173	5,173
13. Expense transfers	-	-	-	-
<b>14. Total System Expenses</b>	<b>\$ 3,347,288</b>	<b>\$ 495,894</b>	<b>\$ 1,549,295</b>	<b>5,392,477</b>

**Total Fixed Route and Non-Fixed  
Route Expenses**

**\$ 15,669,197**

**Red Rose Transit Authority**Schedule of Other Transportation Expenses  
Year Ended June 30, 2013

<u>Fixed Route Expenses</u>	<u>Non-Shared Ride Paratransit</u>	<u>MATP Non-Shared Ride Paratransit</u>	<u>MATP Mileage Reimbursement</u>	<u>JARC</u>	<u>Total</u>
1. Operating wages and salaries	\$ -	\$ -	\$ -	\$ -	\$ -
2. Other salaries and wages	-	43,946	-	4,180	48,126
3. Fringe benefits	-	33,229	-	3,161	36,390
4. Services	-	7,149	-	680	7,829
5. Fuel and lubricants	-	-	-	-	-
6. Tires and tubes	-	-	-	-	-
7. Other materials and supplies	-	1,352	-	129	1,481
8. Utilities	-	1,901	-	181	2,082
9. Casualty and liability costs	-	1,797	-	171	1,968
10. Taxes	-	-	-	-	-
11. Purchased transportation	-	661,186	-	72,455	733,641
12. Misc. expenses	-	748	-	72	820
13. Expense transfers	-	-	-	-	-
14. Mileage reimbursement	-	-	45,915	-	45,915
15. MATP - Non-Public Service Admin Reimbursement	-	-	6,258	-	6,258
<b>16. Total System Expenses</b>	<b>\$ -</b>	<b>\$ 751,308</b>	<b>\$ 52,173</b>	<b>\$ 81,029</b>	<b>\$ 884,510</b>

## **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, 2013

Operating expenses reported on Schedule of Fixed Route and Non-Fixed Route Expenses	<b>\$ 15,669,197</b>
Operating expenses reported on Schedule of Other Transportation Expenses	<b><u>884,510</u></b>
<b>Total Operating Expenses Per Schedules</b>	<b><u>16,553,707</u></b>
<b>Non Applied Reconciling Items</b>	
24 Depreciation expense	<b>3,092,349</b>
25 Other post employment benefits	<b>20,557</b>
26 Shared Ride co-pays netted against vendor invoices	<b>(266,878)</b>
Life insurance reserve adjustment	<b>(2,000)</b>
Proceeds from disposal of capital assets netted in miscellaneous expense	<b>3,477</b>
Interest expense reported as nonoperating expense	<b>(800)</b>
Miscellaneous	<b><u>(4)</u></b>
	<b><u>2,846,701</u></b>
<b>Operating Expenses Reported on the Statement of Revenues, Expenses, and Changes in Net Position</b>	<b><u>\$ 19,400,408</u></b>

## Red Rose Transit Authority

### Schedule of Fixed Route and Non-Fixed Route Revenues

Year Ended June 30, 2013

Fixed Route Revenue	Urban	Rural	Total	
1. Passenger fares	\$ 2,382,688	\$ -	\$ 2,382,688	
2. Advertising	129,218	-	129,218	
3. Charter	-	-	-	
4. Route guarantees	-	-	-	
<b>Other Revenue</b>				
5. Interest/investment income	1,487	-	1,487	
6. Misc/safety	4,215	-	4,215	
7. AAA bus agency	560,181	-	560,181	
8. Terminal vending	-	-	-	
<b>9. Total Fixed Route Revenues</b>	<b>3,077,789</b>	<b>-</b>	<b>3,077,789</b>	
10. Gain on disposal	-	-	-	
11. Interest on capital	-	-	-	
<b>12. Total Non-Applied Reconciling Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>\$ 3,077,789</b>	<b>\$ -</b>	<b>3,077,789</b>	
Non-Fixed Route Revenue	ADA Paratransit	Shared Ride 65+ Lottery Sponsored	Standard Shared Ride Under 65	Total
1. Passenger fares	\$ 97,278	\$ 124,423	\$ 45,177	266,878
2. Advertising	-	-	-	-
3. Shared Ride Lottery trip reimbursement	-	1,452,999	-	1,452,999
4. PwD trip reimbursement	-	-	190,317	190,317
5. AAA	-	114,415	66,060	180,475
6. MH/MR - Shared Ride fare structure	-	7,288	1,178,090	1,185,378
7. W2W - Shared Ride fare structure	-	-	-	-
8. MATP - Shared Ride fare structure	-	-	1,698,396	1,698,396
<b>Other Agencies/Third-Party Sponsors</b>				
9. Smaller agencies in Lancaster	-	31,237	242,713	273,950
10. Identify	-	-	-	-
<b>Other Revenue</b>				
11. Shared Ride fare structure	-	-	-	-
12. Misc income	-	-	30,034	30,034
13. Interest	-	-	1,000	1,000
14. Identify	-	-	-	-
15. Interest/investment income	-	-	-	-
<b>16. Total Non-Fixed Route Revenue</b>	<b>\$ 97,278</b>	<b>\$ 1,730,362</b>	<b>\$ 3,451,787</b>	<b>5,279,427</b>
<b>Total Fixed Route and Non-Fixed Route Revenues</b>				<b>\$ 8,357,216</b>

# Red Rose Transit Authority

## Schedule of Other Transportation Revenues

Year Ended June 30, 2013

<u>Other Transportation Revenue</u>	<u>Total</u>
<b>Contract Revenue</b>	
1. MATP - Contract Rate Paratransit Revenue	\$ 723,488
2. W2W - Contract Rate Paratransit Revenue	-
3. JARC	68,831
4. Other	-
5. Other	-
<b>Other Revenue</b>	
6. MATP - Mileage Reimbursement	50,251
7. W2W - Other	-
8. Other	41,940
<b>Admin Reimbursement</b>	
9. MATP - Contract Rate Paratransit Admin	-
10. MATP - Mileage Reimbursement Admin	-
11. W2W - Admin/Case Management	-
12. Interest/Investment Income	-
<b>13. Total Revenue</b>	<b>\$ 884,510</b>

## **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, 2013

Operating revenues reported on Schedule of Fixed Route and Non-Fixed Route Expenses	<b>\$ 8,357,216</b>
Operating revenues reported on Schedule of Other Transportation Expenses	<b><u>884,510</u></b>
<b>Total Operating Revenues Per Schedules</b>	<b><u>9,241,726</u></b>
<b>Reconciling Items</b>	
Interest income	(2,487)
Shared Ride co-pays netted against vendor invoices	(266,878)
State Senior Citizens Program included in non-operating revenues	440,646
Reclassification of shared ride other income Section 1513	(41,940)
Miscellaneous	<b><u>(4)</u></b>
	<b><u>129,337</u></b>
<b>Operating Revenues Reported on the Statement of Revenues, Expenses, and Changes in Net Position</b>	<b><u><u>\$ 9,371,063</u></u></b>

## Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Subsidies  
Year Ended June 30, 2013

Fixed Route Subsidies	Fixed Route Urban	Fixed Route Rural	Total
1. Federal operating grant	\$ 2,050,000	\$ -	\$ 2,050,000
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	-	-	-
<b>6. Subtotal Federal Subsidy</b>	<b>2,050,000</b>	<b>-</b>	<b>2,050,000</b>
7. Act 44 Section 1513 Operating Grant amount charged - state share (prior years)	1,273,691	-	1,273,691
8. Act 44 Section 1513 Operating Grant amount charged - state share (current year)	2,771,946	-	2,771,946
9. Act 3 ASG grant amount charged - state share	-	-	-
10. Act 3 BSG grant amount charged - state share	-	-	-
11. Special Operating Grants - state share	-	-	-
<b>12. Subtotal State Subsidy</b>	<b>4,045,637</b>	<b>-</b>	<b>4,045,637</b>
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)	266,843	-	266,843
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	-	-	-
<b>20. Subtotal Local Subsidy</b>	<b>266,843</b>	<b>-</b>	<b>266,843</b>
<b>21. Grand Total Subsidy</b>	<b>\$ 6,362,480</b>	<b>\$ -</b>	<b>6,362,480</b>

## Red Rose Transit Authority

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

Year Ended June 30, 2013

Non-Fixed Route Subsidies	ADA Paratransit	Non-ADA Paratransit	Total
1. Federal operating grant	\$ 407,268	\$ -	407,268
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	-	-	-
<b>7. Subtotal Federal Subsidy</b>	<b>407,268</b>	<b>-</b>	<b>407,268</b>
8. Act 44 Section 1513 Operating Grant amount charged - state share (prior years)	63,485	-	63,485
9. Act 44 Section 1513 Operating Grant amount charged - state share (current year)	265,420	210,328	475,748
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	-	-	-
<b>14. Subtotal State Subsidy</b>	<b>328,905</b>	<b>210,328</b>	<b>539,233</b>
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	-	-	-
<b>23. Subtotal Local Subsidy</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>
<b>24. Grand Total Subsidy</b>	<b>\$ 739,173</b>	<b>\$ 210,328</b>	<b>949,501</b>
<b>Total Fixed Route and Non-Fixed Route Expenses</b>			<b>\$ 7,311,981</b>

## Red Rose Transit Authority

Reconciliation to Financial Statement Prepared Under Accounting Principles Generally Accepted in the  
United States of America  
Year Ended June 30, 2013

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

\$ 7,311,981

### Per Financial Statements

Operating revenues - State Senior Citizens Program	\$ 440,646
Nonoperating revenues - Federal government	2,457,268
Nonoperating revenues - Commonwealth of Pennsylvania	4,186,164
Nonoperating revenues - Local government	269,843
Act 44 Subsidy recorded as NPO Other	<u>(41,940)</u>

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

\$ 7,311,981

## Red Rose Transit Authority

Schedule of LEG - Budget Summary

Year Ended June 30, 2013

	Fixed Route		Non-Fixed Route		Non-Public	Total
	Urban	Rural	ADA Paratransit Urban	Shared Ride Standard Urban	Other Transportation	
1. Total Operating Expenses	\$ 9,440,269	\$ -	\$ 836,451	\$ 5,392,477	\$ 884,510	\$ 16,553,707
2. Total Revenue	3,077,789	-	97,278	5,182,149	884,510	9,241,726
<b>3. Operating Deficit</b>	<b>(6,362,480)</b>	<b>-</b>	<b>(739,173)</b>	<b>(210,328)</b>	<b>-</b>	<b>(7,311,981)</b>
4. Total Subsidy	6,362,480	-	739,173	210,328	-	7,311,981
<b>5. Applied Operating Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-Applied Reconciling Items</b>						
6. Total Non-Applied Expense Items	-	-	-	-	-	-
7. Total Non-Applied Revenue Items	-	-	-	-	-	-
8. Total Non-Applied Subsidy Items	-	-	-	-	-	-
<b>9. Operating Results per Audit</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## Red Rose Transit Authority

---

Local Match Provided

Year Ended June 30, 2013

<u>Contributor Name</u>	<u>Date of Final Payment</u>	<u>Amount Provided</u>
<b>Act 44 Section 1513 Local Match for Operating Funds Received</b>		
County of Lancaster, PA	June 24, 2013	\$ 269,843
<b>Act 44 Section 1514 Local Match for Capital Bond Funds Received</b>		
County of Lancaster, PA		-
<b>Act 44 Section 1516 Local Match for Programs of Statewide Significance</b>		
County of Lancaster, PA		-
<b>Grand Total</b>		<u>\$ 269,843</u>

**Red Rose Transit Authority**

Schedule of Local Match Sources and Carryover  
Year Ended June 30, 2013

---

**Schedule of Local Match Carryover**

Local match available June 30, 2012  
Local match provided during year

\$ -  
269,843

\$ 269,843

**Local Match Expended**

Section 1513 local match expended

269,843

269,843

**Ending Balance June 30, 2013**

\$ -

**Schedule of Local Match Sources**

**Local Match Sources**

County of Lancaster

\$ 269,843

**Red Rose Transit Authority**Schedule S5 - Urban Section 1513 Program Carryover  
Year Ended June 30, 2013

	<b>Section 1513 State Grant</b>	<b>Section 1513 Required Local Match</b>	<b>Section 1513 Total</b>
A. FY 2012-13 Section 1513 URBAN Grant Agreement	<b>\$ 4,749,510</b>	<b>\$ 269,843</b>	<b>\$ 5,019,353</b>
Urban Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2013			
1. Section 1513 fund balance as of June 30, 2012	<b>\$ 1,274,290</b>	<b>\$ -</b>	<b>\$ 1,274,290</b>
2. Section 1513 funds received for FY 2012-13	<b>4,749,510</b>	<b>269,843</b>	<b>5,019,353</b>
3. PTAF Section 1513 funds received for FY 2012-13 (applicable to SEPTA and PAAC)	<b>-</b>	<b>-</b>	<b>-</b>
4. Total Section 1513 funds received for FY 2012-13 (Line 2+3, must agree with A. above)	<b>4,749,510</b>	<b>269,843</b>	<b>5,019,353</b>
5. Interest income earned on Section 1513 funds in FY 2012-13	<b>-</b>	<b>-</b>	<b>-</b>
<b>6. Total Section 1513 Funds Available in FY 2012-13 (Line 1+4+5)</b>	<b>6,023,800</b>	<b>269,843</b>	<b>6,293,643</b>
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2012-13	<b>4,045,637</b>	<b>266,843</b>	<b>4,312,480</b>
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2012-13	<b>581,173</b>	<b>3,000</b>	<b>584,173</b>
9. Section 1513 used for Rural fixed route operating expenses in FY 2012-13	<b>-</b>	<b>-</b>	<b>-</b>
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2012-13	<b>-</b>	<b>-</b>	<b>-</b>
11. Section 1513 funds used for Urban capital costs in FY 2012-13 (waiver required)	<b>-</b>	<b>-</b>	<b>-</b>
12. Section 1513 funds used for Rural capital costs in FY 2012-13 (waiver required)	<b>-</b>	<b>-</b>	<b>-</b>
13. Total Section 1513 used in FY 2012-13 (line 7+8+9+10+11+12)	<b>4,626,810</b>	<b>269,843</b>	<b>4,896,653</b>
<b>14. Section 1513 Fund Balance as of June 30, 2013 (Line 6 Minus 13)</b>	<b>\$ 1,396,990</b>	<b>\$ -</b>	<b>\$ 1,396,990</b>

**Red Rose Transit Authority**Schedule S5 - Urban Section 1513 Program Carryover (continued)  
Year Ended June 30, 2013

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, 2013			
27. Section 1513 fund balance as of June 30, 2012	\$ 1,274,290	\$ -	\$ 1,274,290
28. Section 1513 funds received for FY 2012-13	4,749,510	269,843	5,019,353
29. PTAF Section 1513 funds received for FY 2012-13 (applicable to SEPTA and PAAC)	-	-	-
30. Total Section 1513 funds received for FY 2012-13 (Line 28+29)	<u>4,749,510</u>	<u>269,843</u>	<u>5,019,353</u>
31. Interest income earned on Section 1513 funds in FY 2012-13	-	-	-
<b>32. Total Section 1513 Funds available in FY 2010-11 (Line 27+30+31)</b>	<u><b>6,023,800</b></u>	<u><b>269,843</b></u>	<u><b>6,293,643</b></u>
33. Section 1513 funds used for Urban fixed route operating expenses in FY 2012-13	4,045,637	266,843	4,312,480
34. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2012-13	581,173	3,000	584,173
35. Section 1513 funds used for Rural operating expenses FY 2012-13	-	-	-
36. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2012-13	-	-	-
37. Section 1513 funds used for Urban capital costs in FY 2012-13 (waiver required)	-	-	-
38. Section 1513 funds used for Rural capital costs in FY 2012-13 (waiver required)	-	-	-
39. Total Section 1513 used in FY 2012-13 (Line 33+34+35+36+37+38)	<u>4,626,810</u>	<u>269,843</u>	<u>4,896,653</u>
<b>Section 1513 Fund Balance as of June 30, 2013 (Line 32 Minus 39)</b>	<u><b>\$ 1,396,990</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,396,990</b></u>

**Reconciliation of Section 1513 Funds Used for Operating in  
FY 2012-13 to Financial Statements****Per Financial Statements**

Operating revenues - State Senior Citizens Program	\$ 440,646
Nonoperating revenues - Commonwealth of Pennsylvania	<u>4,186,164</u>
<b>Section 1513 Funds Used for Operating in FY 2012-13</b>	<u><b>\$ 4,626,810</b></u>

## Red Rose Transit Authority

Shared Ride Expense Allocation Worksheet  
Year Ended June 30, 2013

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	- %	11.22 %	76.01 %	12.77 %	Other
3	Fringe benefits	- %	11.22 %	76.01 %	12.77 %	Other
4	Services	- %	11.22 %	76.01 %	12.77 %	Other
5	Fuel and lubricants	- %	- %	- %	- %	Other
6	Tires and tubes	- %	- %	- %	- %	Other
7	Other materials and supplies	- %	11.22 %	76.01 %	12.77 %	Other
8	Utilities	- %	11.22 %	76.01 %	12.77 %	Other
9	Casualty and liability costs	- %	11.22 %	76.01 %	12.77 %	Other
10	Taxes	- %	- %	- %	- %	Other
11	Purchased transportation	- %	11.22 %	76.01 %	12.77 %	Other
12	Miscellaneous expenses	- %	11.22 %	76.01 %	12.77 %	Other
13	Expense transfers	- %	- %	- %	- %	Other