

**County of Lackawanna
Transit System Authority
A Component Unit of Lackawanna County**



**Financial Statements and
Supplementary Information**

June 30, 2016

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

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June 30, 2016

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Independent Auditor's Report

To the Board of Directors
County of Lackawanna Transit System Authority
Scranton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Lackawanna Transit System Authority (the Authority), a component unit of Lackawanna County, Pennsylvania, as of and for the year ended June 30, 2016, 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 audit. We conducted our audit 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 from material misstatement.

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

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

Opinion

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

Emphasis of a Matter

As discussed in Note 22, the Authority restated its beginning net position balance. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 and other required supplementary information on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Reporting Required by *Government Auditing Standards* and the 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 January 17, 2017, 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.

RKL LLP

January 17, 2017
Lancaster, Pennsylvania

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Management's Discussion and Analysis
June 30, 2016

The following management's discussion and analysis of the financial performance of the County of Lackawanna Transit System (COLTS) provides both an introduction and explanation of the basic financial statements of COLTS for the fiscal year ended June 30, 2016 with comparative financial information for the fiscal year ended June 30, 2015. The section is designed to highlight significant financial issues and activities of COLTS. The following analysis should be used in conjunction with the attached financial statements.

Financial Highlights

Operating Revenues

COLTS' operating revenue has increased 22% or \$850,278 for the year ended June 30, 2016, compared to a decrease of 2% or \$77,773 for the year ended June 30, 2015. Passenger fare revenue is up 7%, State Shared Ride Program revenue is up 37%, and reimbursements under the State Medical Assistance Program are up 35% for the year ended June 30, 2016. COLTS did not increase fares for fixed route service for the year ended June 30, 2016.

Operating Expenses

COLTS' operating expenses decreased 0.1% or \$7,966 for the year ended June 30, 2016, compared to an increase of 1% or \$69,837 for the year ended June 30, 2015. Expenses for employee benefits decreased 7% or \$258,939 and fuel and lubricant expense decreased 27% or \$268,506. Although there was an overall decrease in expenses, certain line items did increase in fiscal year 2016. The most significant increase was depreciation expense, which increased by 31% or \$410,131.

Fixed-Route Service Highlights

In fiscal year 2016, COLTS provided 1,093,532 rides. Ridership has decreased by 35,564 for the year ended June 30, 2016 compared to decreases of 26,821 for the year ended June 30, 2015. Senior ridership, which continues to be provided for free, remained steady, with a total increase of 422 rides. COLTS' Director of Communications conducted several outreach sessions at area senior centers and Travel Training Days to teach seniors how to ride the buses and navigate the route maps. COLTS is continuing its relationship with local universities to offer service to college students.

Overview of the Financial Statements

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

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Management's Discussion and Analysis
June 30, 2016

Overview of the Financial Statements (continued)

COLTS' financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, the current year's revenues earned and expenses incurred are accounted for in revenues, expenses, and changes in net position regardless of when cash is received or paid.

Statement of Net Position. The statement of net position presents the financial position of COLTS. It presents information on COLTS' assets, deferred outflow of resources, liabilities, and deferred inflow of resources. COLTS' net position is presented as the difference between COLTS' assets and liabilities on this report. Increases or decreases in net position may serve as a useful indicator of whether the financial position of COLTS is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position. The statement of revenues, expenses, and changes in net position presents information showing how COLTS' 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 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 effects 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 COLTS' financial statements. The notes to the financial statements can be found on pages 17 to 34 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning COLTS' progress in funding its obligation to provide pension benefits to its employees, and other supplementary information. This required supplementary information and other supplementary information is listed in the table of contents.

Financial Analysis

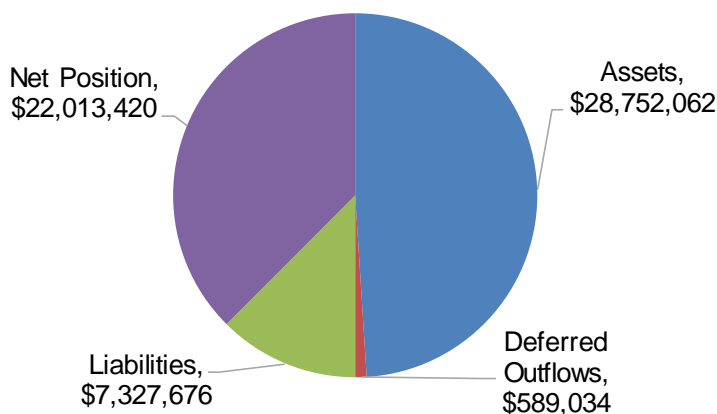
Net Position. Net position, when viewed over time, may serve as a useful indicator of an entity's financial position. In the case of COLTS, assets and deferred outflows of resources exceed liabilities by \$22,013,420 as of June 30, 2016.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Management's Discussion and Analysis
 June 30, 2016

Financial Analysis (continued)

The following chart shows the major categories of net position for the year ended June 30, 2016:



A condensed summary of COLTS' statement of net position is presented below at June 30:

	<u>2016</u>	<u>2015 (restated)</u>
Assets		
Current assets	\$ 6,409,252	\$ 8,366,777
Noncurrent assets		
Capital assets, net	<u>22,342,810</u>	<u>17,726,877</u>
Total Assets	<u>28,752,062</u>	<u>26,093,654</u>
Deferred Outflow of Resources	<u>589,034</u>	<u>232,257</u>
Liabilities		
Current liabilities	4,806,312	7,281,541
Long-term liability	<u>2,521,364</u>	<u>2,012,588</u>
Total Liabilities	<u>7,327,676</u>	<u>9,294,129</u>
Net Position		
Invested in capital assets	22,342,810	17,726,877
Unrestricted (deficit)	<u>(329,390)</u>	<u>(695,095)</u>
Total Net Position	<u>\$ 22,013,420</u>	<u>\$ 17,031,782</u>

County of Lackawanna Transit System Authority
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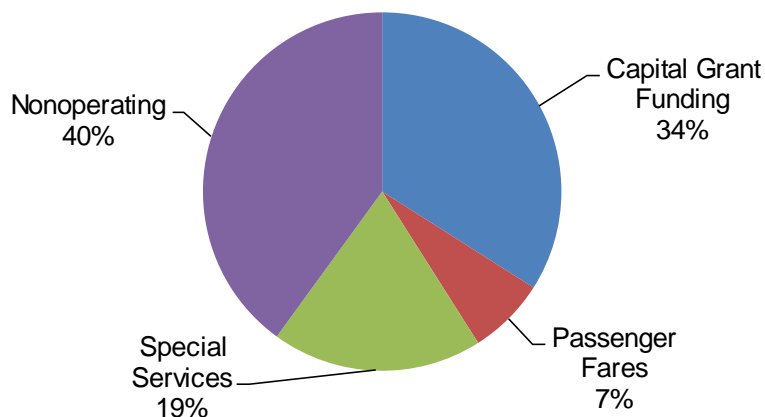
Management's Discussion and Analysis
June 30, 2016

Financial Analysis (continued)

Net capital assets consisting of land, buildings, buses and support vehicles, and other equipment comprise 101% of COLTS' net position as of June 30, 2016. Current liabilities include unearned revenue of \$110,416 of Act 26 funds; \$1,937,217 of Act 3 funds; \$898,898 of Act 44 funds, \$530,717 of Lackawanna County funds, and \$1,963 of JARC funds. These funds are matching funds to federal grants for current and future capital projects. With budget constraints at the federal and state levels, COLTS prioritizes the allocation of capital funds to future bus procurement projects first, then to other capital projects. All capital grant funding assets are restricted funds to purchase capital assets to be used exclusively to provide transportation services to citizens in Lackawanna County. Due to the restrictions placed on their use and disposal, these capital assets are not available for future spending.

Changes in Net Position

The following chart shows the major sources and the percentage of revenues for the year ended June 30, 2016:



COLTS is primarily dependent upon federal, state, and local government grants to fund its operations. These grant funds are included in the nonoperating revenues shown in the chart above for the year ended June 30, 2016.

COLTS' major expenses are salaries and wages and benefits, which combine to equal 62% of the annual expenses. Purchased transportation for special services was equal to 8% of the annual expenses. Depreciation equals 13%.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Management's Discussion and Analysis
 June 30, 2016

Financial Analysis (continued)

Changes in Net Position (continued)

A summary of COLTS' statement of revenues, expenses, and changes in nets assets is presented below for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Passenger fares	\$ 1,272,193	\$ 1,187,283
Route guarantees	-	58,500
Other contract revenue	193,000	210,598
State Medical Assistance Transportation Program	975,667	724,780
State Shared Ride Program	1,921,053	1,399,065
State Persons with Disabilities Program	45,029	34,129
Area Agency on Aging	231,204	186,694
Advertising income	30,774	46,366
Other	41,607	12,834
	<u>4,710,527</u>	<u>3,860,249</u>
Total Operating Revenues	4,710,527	3,860,249
Operating Expenses	13,439,662	13,447,628
	<u>(8,729,135)</u>	<u>(9,587,379)</u>
Loss from Operations	(8,729,135)	(9,587,379)
Nonoperating Revenues		
Operating grants		
Federal government	569,415	490,898
Commonwealth of Pennsylvania	72,887	36,212
Lackawanna County - Act 44 funds	624,496	594,758
Lackawanna County - other funds	19,797	15,985
Commonwealth of Pennsylvania - Act 44 Technical Assistance funds	-	35,347
Commonwealth of Pennsylvania - Act 44 funds	6,063,654	6,400,472
	<u>7,350,249</u>	<u>7,573,672</u>
Total Government Subsidies for Operations	7,350,249	7,573,672
Investment income	9,805	5,043
Miscellaneous income	8,986	519,759
	<u>7,369,040</u>	<u>8,098,474</u>
Total Nonoperating Revenues	7,369,040	8,098,474
	<u>(1,360,095)</u>	<u>(1,488,905)</u>
Loss Before Capital Grant Funding	(1,360,095)	(1,488,905)

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Management's Discussion and Analysis
 June 30, 2016

Financial Analysis (continued)

Changes in Net Position (continued)

	<u>2016</u>	<u>2015</u>
Capital Grant Funding		
Federal Government	4,740,123	4,383,017
Commonwealth of Pennsylvania	1,345,755	751,036
Lackawanna County	121,852	144,118
Commonwealth of Pennsylvania - Act 44 funds	-	21,384
Commonwealth of Pennsylvania - Act 3 funds	45,986	88,409
Commonwealth of Pennsylvania - Act 27 funds	88,017	-
Commonwealth of Pennsylvania - Act 26 funds	-	143,109
Total Capital Grant Funding	<u>6,341,733</u>	<u>5,531,073</u>
Increase in Net Position	<u>\$ 4,981,638</u>	<u>\$ 4,042,168</u>

Capital Assets

COLTS' investment in capital assets as of June 30, 2016 (net of accumulated depreciation) amounted to \$22,342,810. Capital assets are recorded at cost and include land, buildings, buses and support vehicles, and other equipment.

Capital assets, net of accumulated depreciation, are as follows at June 30:

	<u>2016</u>	<u>2015</u>
Land	\$ 33,486	\$ 33,486
Construction in progress	-	7,093,134
Buildings	14,431,994	2,624,796
Buses and support vehicles	6,840,278	6,839,805
Other equipment	1,037,052	1,135,656
	<u>\$ 22,342,810</u>	<u>\$ 17,726,877</u>

Economic Factors

Lackawanna County, located in Northeast Pennsylvania, has a landmass of 465 square miles, and a population of roughly 211,000 as of the 2015 census. This is a slight decrease from the roughly 215,000 total population per the 2011 census. However, with the opening of a new Intermodal Center in January 2016, COLTS hopes to increase ridership and efficiency in its fixed route services. In total, fixed route revenue is up roughly 7% for the year ended June 30, 2016. COLTS continues to partner with local universities to provide services to students and continues to upgrade its fleet of buses, with three new buses rolling out in 2017.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Management's Discussion and Analysis
June 30, 2016

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, the public, and funding agencies with a general overview of COLTS' finances and to show accountability for the money it receives. If there are any questions about this report, please contact Douglas A. Hein, Director of Grants and Finance at COLTS' offices, 800 North South Road, Scranton, Pennsylvania 18504.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Statement of Net Position
June 30, 2016

Assets

Current Assets

Cash and cash equivalents	\$ 29,749
Cash and cash equivalents - restricted	3,911,662
Investments	123,448
Accounts receivable	638,309
Inventories	138,848
Prepaid expenses	138,668
Operating grants receivable	46,094
Capital grants receivable	<u>1,382,474</u>

Total Current Assets 6,409,252

Capital Assets

Capital assets not being depreciated	33,486
Capital assets being depreciated, net	<u>22,309,324</u>

Total Capital Assets 22,342,810

Total Assets 28,752,062

Deferred Outflow of Resources - Pension 589,034

Total Assets and Deferred Outflow of Resources 29,341,096

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Statement of Net Position (continued)
June 30, 2016

Liabilities

Current Liabilities

Accounts payable	414,610
Accrued expenses	
Payroll and payroll taxes	234,637
Vacation	173,337
Workers' compensation claims	244,874
Due to Lackawanna County	259,643
Unearned Lackawanna County funds	530,717
Unearned JARC funds	1,963
Unearned Commonwealth of Pennsylvania - Act 26 funds	110,416
Unearned Commonwealth of Pennsylvania - Act 3 funds	1,937,217
Unearned Commonwealth of Pennsylvania - Act 44 funds	898,898

Total Current Liabilities 4,806,312

Long-Term Liabilities

Accrued compensated absences	549,742
Net pension liability	1,971,622

Total Long-Term Liabilities 2,521,364

Total Liabilities 7,327,676

Net Position

Net Position

Invested in capital assets	22,342,810
Unrestricted net deficit	(329,390)

Total Net Position \$ 22,013,420

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Statement of Revenues, Expenses, and Changes in Net Position
June 30, 2016

Operating Revenues

Passenger fares	\$ 1,272,193
Other contract revenue	193,000
State Medical Assistance Transportation Program	975,667
State Shared Ride Program	1,921,053
State Persons with Disabilities Program	45,029
Area Agency on Aging	231,204
Advertising income	30,774
Other	41,607

Total Operating Revenues 4,710,527

Operating Expenses

Salaries and wages	4,783,763
Fringe benefits	3,603,071
Services	367,829
Fuel and lubricants	712,860
Tires and tubes	93,589
Other materials and supplies	396,128
Utilities	111,017
Casualty and liability	328,887
Purchased transportation	1,020,833
Miscellaneous expense	295,884
Depreciation	1,725,801

Total Operating Expenses 13,439,662

Loss from Operations (8,729,135)

Nonoperating Revenues

Operating grants	
Federal government	569,415
Commonwealth of Pennsylvania	72,887
Lackawanna County - Act 44 funds	624,496
Lackawanna County - other funds	19,797
Commonwealth of Pennsylvania - Act 44 funds	6,063,654

Total Government Subsidies for Operations 7,350,249

Investment income	9,805
Miscellaneous income	8,986

Total Nonoperating Revenues 7,369,040

Loss Before Capital Grant Funding (1,360,095)

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Statement of Revenues, Expenses, and Changes in Net Position (continued)
June 30, 2016

Capital Grant Funding	
Federal Government	4,740,123
Commonwealth of Pennsylvania	1,345,755
Lackawanna County	121,852
Commonwealth of Pennsylvania - Act 3 funds	45,986
Commonwealth of Pennsylvania - Act 27 funds	<u>88,017</u>
Total Capital Grant Funding	<u>6,341,733</u>
Increase in Net Position	4,981,638
Net Position at Beginning of Year, as Previously Reported	17,245,462
Prior period adjustments (see Note 22)	<u>(213,680)</u>
Net Position at End of Year	<u><u>\$ 22,013,420</u></u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Statement of Cash Flows
June 30, 2016

Cash Flows from Operating Activities	
Cash received from customers	\$ 4,579,162
Cash payments to suppliers for goods and services	(7,686,858)
Cash payments to employees for services	<u>(4,684,190)</u>
Net Cash Used in Operating Activities	<u>(7,791,886)</u>
Cash Flows Provided by Noncapital Financing Activities	
Receipts from operating and planning grants	<u>5,990,730</u>
Cash Flows from Capital and Related Financing Activities	
Receipts from capital grants	6,638,643
Purchase of capital assets	<u>(6,341,733)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>296,910</u>
Cash Flows from Investing Activities	
Income received on investments	9,805
Purchase of investments	<u>(1,687)</u>
Net Cash Provided by Investing Activities	<u>8,118</u>
Net Decrease in Cash and Cash Equivalents	(1,496,128)
Cash and Cash Equivalents at Beginning of Year	<u>5,437,539</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,941,411</u></u>
Cash is Comprised of the Following on the Statement of Net Position	
Cash and cash equivalents	\$ 29,749
Cash and cash equivalents - restricted	<u>3,911,662</u>
	<u><u>\$ 3,941,411</u></u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Statement of Cash Flows (continued)
June 30, 2016

Reconciliation of Loss from Operations to Net Cash Used in Operating

Activities

Loss from operations	\$ (8,729,135)
Adjustments to reconcile loss from operations to net cash used in operating activities	
Depreciation	1,725,801
(Increase) decrease in assets	
Accounts and other receivables	(131,365)
Inventories	(9,535)
Prepaid expenses	89,946
Increase in deferred outflow of resources - pension	(356,777)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(818,220)
Net pension liability	<u>437,399</u>
Net Cash Used in Operating Activities	<u>\$ (7,791,886)</u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Notes to Financial Statements
June 30, 2016

Note 1 - Nature of Activity

The Lackawanna County Transit System Authority (the Authority) was organized November 1, 1972 by Lackawanna County, Pennsylvania, under the laws of the Commonwealth of Pennsylvania in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation within Lackawanna County.

The Authority provides standard bus service on fixed routes to the general public and door-to-door transportation services to qualifying elderly and handicapped persons at special fares.

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

Note 2 - Summary of Significant Accounting Policies

The accompanying financial statements are in accordance with 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 consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. There are no agencies or entities which should be presented with the Authority.

The Authority is a component unit of Lackawanna County.

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.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Notes to Financial Statements
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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, interest income, and miscellaneous income.

When restricted and unrestricted resources are available for 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 accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Net Position, Revenues, and Expenses

Cash and Cash Equivalents

For purposes of reporting cash flows, the Authority considers all cash accounts, 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.

Investments

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

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government and Federal agencies
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision
5. Shares of mutual funds whose investments are restricted to the above categories.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Notes to Financial Statements
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Investments (continued)

When making investments, the Board of Directors 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.

Restricted Assets

Certain proceeds from the Authority's state and local grants are classified as restricted assets on the statement of net position because their use is limited by the grantor.

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established as deemed necessary based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance at June 30, 2016 is \$-0-.

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 are those assets with a cost in excess of \$5,000 and purchased under capital grant agreements with an estimated useful life greater than one year. Capital assets are recorded at cost and depreciated utilizing the straight-line method over their estimated useful lives as follows:

Building	10 to 39 years
Buses and support vehicles	5 to 12 years
Other equipment	5 to 10 years

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

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.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Notes to Financial Statements
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the year ended June 30, 2016.

Compensated Absences

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

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Net Position

Net position is classified into three categories as follows:

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net position (deficit) is amounts that do not meet the definitions of "invested in capital assets" or "restricted" and is available for Authority operations.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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.

Employee Benefits

The Authority participates in three pension plans covering substantially all employees. Pension plan expense is determined as specified in each plan. The Authority's policy is to fund all required pension costs.

Recent Accounting Pronouncements

Effective July 1, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining a fair value measurement for financial reporting purposes and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for applying fair value to certain investments and disclosures related to fair value measurements. (See Note 7)

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement amends and clarifies certain pension disclosures promulgated by Statements No. 67, 68, and 73. Statement No. 82 is effective for periods beginning after June 15, 2016. The Authority is currently evaluating what effect, if any, the adoption of this statement will have on its financial statements.

Note 3 - Budget Matters

The Authority adopts an annual budget, however, it is not required by the Pennsylvania Municipality Authorities Act.

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.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 5 - Cash and Cash Equivalents, Deposits, and Investments

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, 2016, the carrying amount of the Authority's bank deposits were \$3,941,411 and the corresponding bank balance was \$4,198,139, of which \$3,698,139 was 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. As of June 30, 2016, the Authority had \$150 in petty cash on hand.

The Authority has the following investments as of June 30, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds		
Fixed income	\$ 100,000	\$ 97,889
Diversified debt securities	<u>25,000</u>	<u>25,559</u>
	<u>\$ 125,000</u>	<u>\$ 123,448</u>

Credit Risk

The Authority limits the type of investments permitted as defined in the Pennsylvania Municipal Authorities Act. Permitted investments are defined in Note 2. When making investments, the Authority 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 in the purchase of a single investment. The Authority's investment policy is consistent with these limitations.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturity of the related debt securities held by the various mutual funds is between five and ten years.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2016, \$123,448 is held by the investment's counterparties, although owned by the Authority.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 6 - Restricted Cash and Cash Equivalents

Cash and cash equivalents, whose use is limited to a specific purpose, have been classified as "restricted" in the financial statements. Restricted assets consist of the following at June 30, 2016:

Lackawanna County funds	\$ 530,717
JARC funds	1,963
Commonwealth of Pennsylvania - Act 26 funds	110,416
Commonwealth of Pennsylvania - Act 3 funds	1,937,217
Commonwealth of Pennsylvania - Act 44 funds	<u>1,331,349</u>
	<u>\$ 3,911,662</u>

Note 7 - Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB No. 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
 June 30, 2016

Note 7 - Fair Value Measurements (continued)

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2016 and 2015.

Mutual Funds and Short-Term Securities are valued at the net asset value (NAV) of shares held by the Authority at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Authority's assets at fair value:

Fair Value Measurements at June 30, 2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 123,448	\$ -	\$ -	\$ 123,448
Cash equivalents	104,334			104,334
	<u>\$ 227,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,782</u>

Note 8 - Inventories

The classification of inventories is as follows at June 30, 2016:

Parts and supplies	\$ 121,076
Fuel and lubricants	<u>17,772</u>
	<u>\$ 138,848</u>

Note 9 - Operating Grants Receivable

The following amounts were due on operating grants at June 30, 2016:

County of Lackawanna - local share	\$ 26,413
Planning grants	<u>19,681</u>
	<u>\$ 46,094</u>

County of Lackawanna Transit System Authority
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Notes to Financial Statements
 June 30, 2016

Note 10 - Capital Grants Receivable

The following amounts are due on capital project grants at June 30, 2016:

Federal government	\$ 391,887
Commonwealth of Pennsylvania	952,647
County of Lackawanna - local share	<u>37,940</u>
	<u><u>\$ 1,382,474</u></u>

Note 11 - Capital Assets

Capital asset activity was as follows for the year ended June 30, 2016:

	Balance July 1, 2015 (as restated)	Additions/ Transfers In	Deletions/ Transfers Out	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	\$ 33,486	\$ -	\$ -	\$ 33,486
Construction in progress	<u>7,093,134</u>	<u>4,996,201</u>	<u>(12,089,335)</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>7,126,620</u>	<u>4,996,201</u>	<u>(12,089,335)</u>	<u>33,486</u>
Capital Assets Being Depreciated				
Buildings	6,105,056	12,089,335	-	18,194,391
Buses and support vehicles	21,442,851	1,279,372	(199,905)	22,522,318
Other equipment	<u>2,643,521</u>	<u>66,200</u>	<u>-</u>	<u>2,709,721</u>
Total Capital Assets Being Depreciated	<u>30,191,428</u>	<u>13,434,907</u>	<u>(199,905)</u>	<u>43,426,430</u>
Accumulated Depreciation				
Buildings	3,480,260	282,137	-	3,762,397
Buses and support vehicles	14,603,046	1,278,859	(199,865)	15,682,040
Other equipment	<u>1,507,865</u>	<u>164,804</u>	<u>-</u>	<u>1,672,669</u>
Accumulated Depreciation	<u>19,591,171</u>	<u>1,725,800</u>	<u>(199,865)</u>	<u>21,117,106</u>
Capital Assets Being Depreciated, Net	<u>10,600,257</u>	<u>11,709,107</u>	<u>(40)</u>	<u>22,309,324</u>
Capital Assets, Net	<u><u>\$ 17,726,877</u></u>	<u><u>\$ 16,705,308</u></u>	<u><u>\$ (12,089,375)</u></u>	<u><u>\$ 22,342,810</u></u>

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 12 - Due to Lackawanna County

The Authority has a liability of \$259,643 at June 30, 2016 to Lackawanna County for transportation services under the State Medical Assistance Transportation Program.

Note 13 - Unearned Lackawanna County Funds

Local grant funds from Lackawanna County, in the amount of \$530,717 at June 30, 2016, is the local share for operating assistance and capital projects received in advance.

Note 14 - Unearned Commonwealth of Pennsylvania - Act 26 Funds

In August 1991, the Pennsylvania legislature passed a dedicated source of funding for public transportation. This legislation, known as Act 26, provided for additional sales taxes to be collected by the Department of Revenue and passed through the Department of Transportation (DOT) to transit authorities for both capital and capital asset maintenance costs. Under regulations promulgated by the DOT, up to 50% or an amount approved by the DOT 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 DOT preapproved capital projects. Any funds not used in any given year must be carried over and used for capital projects. This funding was replaced with Commonwealth of Pennsylvania funding under Act 44 beginning July 1, 2007. The following transactions occurred relative to the Act 26 Dedicated Tax account for the year ended June 30, 2016:

Balance at July 1, 2015	\$ 109,613
Interest income	<u>803</u>
Total Available	110,416
Funds expended	<u>-</u>
Balance at June 30, 2016	<u>\$ 110,416</u>

Note 15 - Unearned Commonwealth of Pennsylvania - Act 3 Base Supplemental Grant Funds

In April 1997, the Pennsylvania legislature passed a dedicated source of funding for public transportation. This legislation, known as Act 3, provided for the transfer of sales taxes to be collected by the Department of Revenue and passed through the DOT to transit authorities for both capital and capital asset maintenance costs. Under regulations promulgated by the DOT, Act 3 Base Supplemental Grant funds may be used for operating deficits, capital asset maintenance, and preapproved capital projects. This funding was replaced with Commonwealth of Pennsylvania funding under Act 44 on July 1, 2007. Any funds not used in any given year may be carried over and used for the above purposes.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 15 - Unearned Commonwealth of Pennsylvania - Act 3 Base Supplemental Grant Funds
(continued)

The following transactions occurred relative to the Act 3 Base Supplemental Grant account for the year ended June 30, 2016:

Balance at July 1, 2015	\$ 1,980,574
Interest income	<u>2,629</u>
Total Available	1,983,203
Funds expended	<u>(45,986)</u>
Balance at June 30, 2016	<u>\$ 1,937,217</u>

Note 16 - Unearned Commonwealth of Pennsylvania - Act 44 Funds

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. The following transactions occurred in relation to the Act 44 account for the year ended June 30, 2016:

Balance at July 1, 2015	\$ 2,600,885
Funds received	4,360,598
Interest income	<u>1,069</u>
Total Available	6,962,552
Funds expended	<u>(6,063,654)</u>
Balance at June 30, 2016	<u>\$ 898,898</u>

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.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

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 (SAFTI) 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 SAFTI 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 SAFTI Property & Liability Pool provides that the SAFTI 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 SAFTI Property & Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Property & Liability Pool and charged to operations during the year ended June 30, 2016 amounted to \$203,226.

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the SAFTI 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 SAFTI Workers' Compensation Pool for its workers' compensation insurance coverage. The agreement for formation of the SAFTI Workers' Compensation Pool provides that the SAFTI 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 SAFTI Workers' Compensation Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Workers' Compensation Pool and charged to operations during the year ended June 30, 2016 amounted to \$434,101.

The Authority was self-insured for workers' compensation for claims through June 30, 2011. All claims handling procedures are performed by an independent claims administrator. The Authority is responsible for the first \$400,000 due to any one claimant, depending on job classification. The Authority has insurance coverage for claims in excess of the retention amount. The following are changes in the workers' compensation liability for the year ended June 30, 2016:

Balance at July 1	\$ 258,751
Claims recovered and changes in reserves	<u>(13,877)</u>
Balance at June 30	<u>\$ 244,874</u>

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

For the year ended June 30, 2016, there has been no significant reduction in insurance coverage from coverage in the prior years. Settled claims did not exceed the insurance coverage purchased for the year ended June 30, 2016.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 18 - Defined Contribution Pension Plan and Related Expenses

The Authority provides pension benefits for its nonunion employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees who have 12 months of entry service are eligible to participate. The Authority contributes an amount equal to 9% of each covered employee's annual eligible compensation. The Authority's contribution of \$36,460 was charged to operations for the year ended June 30, 2016.

The Authority provides pension benefits for its employees represented by Service Employees International Union, AFL-CIO, Local 668 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who have 12 months of entry service are eligible to participate. The Authority contributes an amount equal to 3% of each covered employee's annual eligible compensation. Participating employees may contribute, on an after-tax basis, a nondeductible amount not to exceed 85% of his/her compensation. The Authority's contribution of \$22,768 was charged to operations for the year ended June 30, 2016.

Note 19 - County of Lackawanna Transit System Authority and Local 168, Scranton, PA, Amalgamated Transit Union Pension Plan for Bargaining Employees Local 168, Scranton, PA, Amalgamated Transit Union, and Non-Bargaining Employees Plan

Plan Description

The Authority administers and contributes to a single-employer defined benefit pension plan covering all full-time employees who have completed 90 days of service.

Benefits Provided

The pension plan provides pension benefits for normal retirement at the age of 65, with an option for early retirement benefits at age 55. Benefits are calculated based on the years of benefit service.

Contributions

Members contribute \$76 per pay 26 times per year and are credited with 5.5% annual interest. The Authority is required to contribute amounts necessary to fund the Plan using the actuarial basis specific by statute.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Authority reported a liability of \$1,971,622 for its net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of December 31, 2014.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
 June 30, 2016

Note 19 - County of Lackawanna Transit System Authority and Local 168, Scranton, PA, Amalgamated Transit Union Pension Plan for Bargaining Employees Local 168, Scranton, PA, Amalgamated Transit Union, and Non-Bargaining Employees Plan (continued)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the Authority recognized pension expense of \$265,329. The Authority reported deferred outflows of resources and deferred inflows of resources related to the County of Lackawanna Transit System Authority Pension Plan from the following sources at June 30, 2016:

	<u>Deferred Outflows of Resources</u>
Difference between projected and actual earnings on pension plan investments	\$ 497,986
Authority contributions subsequent to the measurement date	<u>91,048</u>
	<u>\$ 589,034</u>

An amount of \$91,048 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ended June 30 and thereafter:

2017	\$ 123,652
2018	123,652
2019	123,652
2020	85,049
2021	20,991
Thereafter	20,990

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 %
Salary increases	5.00
Investment rate of return	8.00

Mortality rates were based on the RP2000 Table for males and females.

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Notes to Financial Statements
 June 30, 2016

Note 19 - County of Lackawanna Transit System Authority and Local 168, Scranton, PA, Amalgamated Transit Union Pension Plan for Bargaining Employees Local 168, Scranton, PA, Amalgamated Transit Union, and Non-Bargaining Employees Plan (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the valuation were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table as of December 31, 2015:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	60.00 %	5.50-7.50 %
Fixed income	35.00	1.00-3.00
Cash	5.00	0.00-1.00

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that municipal contributions to the plan will be made at actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
 June 30, 2016

Note 19 - County of Lackawanna Transit System Authority and Local 168, Scranton, PA, Amalgamated Transit Union Pension Plan for Bargaining Employees Local 168, Scranton, PA, Amalgamated Transit Union, and Non-Bargaining Employees Plan (continued)

Changes in Net Position Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 4,336,211	\$ 2,801,988	\$ 1,534,223
Service cost	138,113	-	138,113
Interest cost	353,832	-	353,832
Changes for experience	146,935	-	146,935
Contributions - employer	-	171,499	(171,499)
Contributions - member	-	145,920	(145,920)
Net investment loss	-	(99,963)	99,963
Benefit payments, including refunds of member contributions	(396,712)	(396,712)	-
Administrative expense	-	(15,975)	15,975
Net changes	242,168	(195,231)	437,399
Balance at December 31, 2015	\$ 4,578,379	\$ 2,606,757	\$ 1,971,622

Sensitivity of the Authority's Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$ 2,356,862	\$ 1,971,622	\$ 1,636,049

Note 20 - Advertising Costs

Advertising costs included in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2016 was \$24,676.

County of Lackawanna Transit System Authority
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Notes to Financial Statements
June 30, 2016

Note 21 - Commitments and Contingencies

Commitments

Lease

The Authority leases bus tires under the terms of an operating lease that calls 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 agreement. The lease runs through June 30, 2020.

Fuel

The Authority has entered into an agreement to purchase a certain amount of fuel at a fixed price with a total purchase price of \$377,731. The agreement runs through June 30, 2017.

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.

Litigation

In the normal course of business, the Authority is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

Concentration of Labor

The Authority entered into a collective bargaining agreement with certain employees represented by the Amalgamated Transit Union (ATU), Division No. 168 through June 30, 2016. Of the Authority's total workforce, approximately 55% are covered by the agreement. The Authority is currently in negotiations with the ATU to renew the collective bargaining agreement.

The Authority entered into a collective bargaining agreement with certain employees represented by the Service Employees International Union, AFL-CIO, Local 668 through June 30, 2017. Of the Authority's total workforce, approximately 30% are covered by the agreement.

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Notes to Financial Statements
June 30, 2016

Note 22 - Restatement of 2015 Financial Statements

The July 1, 2015 net position was reduced by \$213,680 from \$17,245,462 to \$17,031,782. The net reduction was the result of an increase in cash (\$5,031), a reduction of capital assets (\$246,536), a reduction of capital grants receivable (\$22,403) and a reduction of unearned revenue (\$50,228).

Note 23 - Ridership Investigation

The Authority has been subjected to an examination of the senior ridership reporting covering periods from July 1, 2005 to June 30, 2013, which stemmed from the Pennsylvania Department of Transportation analyzing senior ridership trends. As a result of the examination, senior ridership totals previously reported have been reduced by more than 30% in some years and the operating subsidy has been recalculated based on these reductions. The Pennsylvania Department of Transportation has ordered the Authority to repay approximately \$5,700,000 in operating subsidies through reduction of subsidies for the fiscal years ended June 30, 2015-2017 and to forfeit an additional \$771,000 in future capital improvement funds. The annual reduction of the Section 1513 payments in the amount of approximately \$1,900,000 began during the year ended June 30, 2015 and will continue until the year ended June 30, 2017.

Note 24 - Subsequent Events

The Authority has evaluated subsequent events through January 17, 2017. This date is the date the financial statements were available to be issued.

In July 2016, the Authority entered into an agreement to purchase three buses at an approximate cost of \$1,592,000. These expenditures will be funded through federal, state, and local grants.

No other material events subsequent to June 30, 2016 were noted.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of Changes in the Net Pension Liability and Related Ratios
 June 30, 2016
 Last Ten Fiscal Years*

	<u>Defined Benefit Plan</u>
Total Pension Liability	
Service cost	\$ 138,113
Interest	353,832
Changes for experience	146,935
Benefit payments, including refunds of member contributions	<u>(396,712)</u>
Net Change in Total Pension Liability	242,168
Total Pension Liability, Beginning	<u>4,336,211</u>
Total Pension Liability, Ending	<u><u>\$ 4,578,379</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 171,499
Contributions - member	145,920
Net investment income	(99,963)
Benefit payments, including refunds of member contributions	(396,712)
Administrative expense	<u>(15,975)</u>
Net Change in Plan Fiduciary Net Position	(195,231)
Plan Net Position, Beginning	<u>2,801,988</u>
Plan Net Position, Ending	<u><u>\$ 2,606,757</u></u>
Authority's Net Pension Liability	<u><u>\$ 1,971,622</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>56.9%</u></u>
Covered Employee Payroll	<u><u>\$ 4,022,519</u></u>
Authority's Net Pension Liability as a Percentage of Covered Employee Payroll	<u><u>49.0%</u></u>

* This schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years which information is available is shown.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of Pension Contributions
 Last Ten Fiscal Years

<u>Years</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions from Employer</u>	<u>Contribution Deficiency/ (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a % of Payroll</u>
2006	\$ 48,034	\$ 165,920	\$ (117,886)	\$ -	- %
2007	105,794	136,400	(30,606)	-	-
2008	116,392	133,440	(17,048)	-	-
2009	115,237	148,080	(32,843)	-	-
2010	104,313	139,920	(35,607)	-	-
2011	100,817	130,082	(29,265)	-	-
2012	110,686	146,960	(36,274)	-	-
2013	137,385	164,600	(27,215)	-	-
2014	132,386	163,840	(31,454)	3,940,559	4.16
2015	171,499	171,499	-	4,022,519	4.26

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Fixed Route Urban Expenses - FY 15-16
Year Ended June 30, 2016

<u>Operating Expenses</u>	<u>Vehicle Operation</u>	<u>Maintenance</u>	<u>General Admin</u>	<u>Totals</u>
1. Operators' Salaries & Wages	\$ 2,553,997	\$ -	\$ -	\$ 2,553,997
2. Other Salaries & Wages	-	478,416	505,175	983,591
3. Fringe Benefits	1,882,346	421,669	453,520	2,757,535
4. Services	20,341	8,718	261,526	290,585
5. Fuel & Lubricants	512,647	31,583	-	544,230
6. Tires & Tubes	54,961	8,265	-	63,226
7. Other Materials & Supplies	219,376	75,732	11,000	306,108
8. Utilities	6,139	2,631	78,933	87,703
9. Casualty & Liability Costs	-	220,596	38,929	259,525
10. Taxes	-	-	-	-
11. Purchased Transportation	541,856	-	-	541,856
12. Miscellaneous Expenses	16,177	6,933	207,994	231,104
13. Total System Expenses	<u>\$ 5,807,840</u>	<u>\$ 1,254,543</u>	<u>\$ 1,557,077</u>	<u>8,619,460</u>
Applied Reconciling Items				
14. Interest Expenses				-
15. Leases & Rentals				-
16. Depreciation (privately funded assets only)				-
17. Amortization of Intangibles				-
18. Purchase Lease Agreement				-
19. Related Parties Lease Agreement				-
20. Other Reconciling Items				-
Identify: Miscellaneous				-
21. Total Applied Reconciling Items				<u>-</u>
22. Total Operating Expenses				<u>8,619,460</u>
Non-Applied Reconciling Items				
23. Depreciation (publicly funded assets only)				1,447,160
24. Other Post Employment Benefits (OPEB)				-
25. Other Reconciling Items				-
Identify: Miscellaneous and Pension				66,745
26. Total Non-Applied Reconciling Items				<u>1,513,905</u>
27. Total Operating Expenses per Audit				<u>\$ 10,133,365</u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Non-Fixed Route ADA Paratransit Expenses - Urban - FY 15-16
Year Ended June 30, 2016

Operating Expenses	Vehicle Operation	Maintenance	General Admin	Totals
1. Operators' Salaries & Wages	\$ 100,684	\$ -	\$ -	\$ 100,684
2. Other Salaries & Wages	-	11,529	14,507	26,036
3. Fringe Benefits	17,847	2,839	56,436	77,122
4. Services	1,621	837	4,899	7,357
5. Fuel & Lubricants	19,127	-	-	19,127
6. Tires & Tubes	3,444	-	-	3,444
7. Other Materials & Supplies	-	10,211	-	10,211
8. Utilities	-	-	2,220	2,220
9. Casualty & Liability Costs	-	6,613	-	6,613
10. Taxes	-	-	-	-
11. Purchased Transportation	3,523	-	-	3,523
12. Miscellaneous Expenses	-	-	6,199	6,199
13. Total System Expenses	\$ 146,246	\$ 32,029	\$ 84,261	262,536
Applied Reconciling Items				
14. Interest Expenses				-
15. Leases & Rentals				-
16. Depreciation (privately funded assets only)				-
17. Amortization of Intangibles				-
18. Purchase Lease Agreement				-
19. Related Parties Lease Agreement				-
20. Other Reconciling Items Identify				-
21. Total Applied Reconciling Items				-
22. Total Operating Expenses				262,536
Non-Applied Reconciling Items				
23. Depreciation (publicly funded assets only)				31,605
24. Other Post Employment Benefits (OPEB)				-
25. Other Reconciling Items Identify				-
26. Total Non-Applied Reconciling Items				31,605
27. Total Operating Expenses per Audit				\$ 294,141

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Non-Fixed Route Shared Ride Expenses - Urban Standard - FY 15-16
Year Ended June 30, 2016

<u>Operating Expenses</u>	<u>Vehicle Operation</u>	<u>Maintenance</u>	<u>General Admin</u>	<u>Totals</u>
1. Operators' Salaries & Wages	\$ 693,604	\$ -	\$ -	\$ 693,604
2. Other Salaries & Wages	-	120,904	97,917	218,821
3. Fringe Benefits	132,631	25,553	468,362	626,546
4. Services	14,597	7,528	44,084	66,209
5. Fuel & Lubricants	129,102	-	-	129,102
6. Tires & Tubes	23,246	-	-	23,246
7. Other Materials & Supplies	-	68,918	-	68,918
8. Utilities	-	-	19,983	19,983
9. Casualty & Liability Costs	-	59,418	-	59,418
10. Taxes	-	-	-	-
11. Purchased Transportation	31,705	-	-	31,705
12. Miscellaneous Expenses	-	-	55,007	55,007
13. Total System Expenses	<u>\$ 1,024,885</u>	<u>\$ 282,321</u>	<u>\$ 685,353</u>	<u>1,992,559</u>
Applied Reconciling Items				
14. Interest Expenses				-
15. Leases & Rentals				-
16. Depreciation (privately funded assets only)				-
17. Amortization of Intangibles				-
18. Purchase Lease Agreement				-
19. Related Parties Lease Agreement				-
20. Other Reconciling Items Identify				-
21. Total Applied Reconciling Items				<u>-</u>
22. Total Operating Expenses				<u>1,992,559</u>
Non-Applied Reconciling Items				
23. Depreciation (publicly funded assets only)				213,325
24. Other Post Employment Benefits (OPEB)				-
25. Other Reconciling Items Identify				-
26. Total Non-Applied Reconciling Items				<u>213,325</u>
27. Total Operating Expenses per Audit				<u>\$ 2,205,884</u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Non-Public Expenses - Other Transportation - FY 15-16
Year Ended June 30, 2016

Operating Expenses	Non-Shared Ride Paratransit	MATP - Non-Shared Ride Paratransit	MATP - Mileage Reimbursement	Totals
1. Operators' Salaries & Wages	\$ -	\$ 93,363	\$ -	\$ 93,363
2. Other Salaries & Wages	-	113,667	-	113,667
3. Fringe Benefits	-	75,123	-	75,123
4. Services	-	3,678	-	3,678
5. Fuel & Lubricants	-	20,401	-	20,401
6. Tires & Tubes	-	3,673	-	3,673
7. Other Materials & Supplies	-	10,891	-	10,891
8. Utilities	-	1,111	-	1,111
9. Casualty & Liability Costs	-	3,331	-	3,331
10. Taxes	-	-	-	-
11. Purchased Transportation	-	443,749	-	443,749
12. Miscellaneous Expenses	-	3,574	-	3,574
13. Mileage Reimbursement	-	-	-	-
14. MATP - Non-Public Service Admin Expense	-	-	-	-
15. Total System Expenses	\$ -	\$ 772,561	\$ -	772,561
Applied Reconciling Items				
16. Interest Expenses				-
17. Leases & Rentals				-
18. Depreciation (privately funded assets only)				-
19. Amortization of Intangibles				-
20. Purchase Lease Agreement				-
21. Related Parties Lease Agreement				-
22. Other Reconciling Items Identify				-
23. Total Applied Reconciling Items				-
24. Total Operating Expenses				772,561
Non-Applied Reconciling Items				
25. Depreciation (publicly funded assets only)				33,711
26. Other Post Employment Benefits (OPEB)				-
27. Other Reconciling Items Identify				-
28. Total Non-Applied Reconciling Items				33,711
29. Total Operating Expenses per Audit				\$ 806,272

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Reconciliation of Operating Expenses to Financial Statements Prepared under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2016

Operating expenses reported on Schedule of LEG - Fixed Route Urban Expenses	\$ 10,133,365
Operating expenses reported on Schedule of LEG - Non-Fixed Route ADA Paratransit Expenses - Urban	294,141
Operating expenses reported on Schedule of LEG - Non-Fixed Route Shared Ride Expenses - Urban Standard	2,205,884
Operating expenses reported on Schedule of LEG - Non-Public Expenses - Other Transportation	<u>806,272</u>
 Operating Expenses Reported on the Statement of Revenues, Expenses, and Changes in Net Position	 <u><u>\$ 13,439,662</u></u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Fixed Route Revenues - FY 15-16
Year Ended June 30, 2016

	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
Transportation Revenues			
1. Passenger Fares	\$ 1,176,511	\$ -	\$ 1,176,511
2. Advertising	30,774	-	30,774
3. Charter	-	-	-
4. Route Guarantees	44,632	-	44,632
Other (Revenue)			
5. Identify: Scrap Program	40,854	-	40,854
6. Identify: Interest	9,805	-	9,805
7. Identify: Miscellaneous	9,739	-	9,739
8. Total Revenue	<u>1,312,315</u>	<u>-</u>	<u>1,312,315</u>
Non-Applied Reconciling Items			
9. Interest/Investment Income	-	-	-
10. Identify	-	-	-
11. Total Non-Applied Reconciling Items	<u>-</u>	<u>-</u>	<u>-</u>
12. Total Revenue per Audit	<u>\$ 1,312,315</u>	<u>\$ -</u>	<u>\$ 1,312,315</u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Non-Fixed Route Revenues - Urban - FY 15-16
 Year Ended June 30, 2016

	ADA	Shared Ride 65+		Shared Ride Under 65		Public Vanpool	Total
	Paratransit	Urban Standard	Rural DAS*	Urban Standard	Rural DAS		
Transportation Revenues							
1. Passenger Fares	\$ 26,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,432
2. Advertising	-	-	-	-	-	-	-
3. Shared-Ride Lottery Trip Reimbursement	-	1,921,053	-	-	-	-	1,921,053
4. PwD Trip Reimbursement	-	-	-	45,029	-	-	45,029
5. PwD Trip Passenger Fares	-	-	-	-	-	-	-
6. AAA	-	231,204	-	-	-	-	231,204
7. MH/MR - Shared Ride Fare Structure	-	-	-	-	-	-	-
8. W2W - Shared Ride Fare Structure	-	-	-	-	-	-	-
9. MATP - Shared Ride Fare Structure	-	-	-	203,106	-	-	203,106
Other Agencies/Third Party Sponsors							
10. Identify: PDA	-	-	-	24,618	-	-	24,618
11. Identify	-	-	-	-	-	-	-
Other Revenue							
MATP							
12. Admin Reimbursement for MATP Shared Ride Fare Structure	-	-	-	-	-	-	-
Other (i.e. Block Grant)							
13. Identify: Lackawanna County	193,000	-	-	-	-	-	193,000
14. Identify: Lackawanna County	-	-	-	-	-	-	-
15. Identify	-	-	-	-	-	-	-
16. Interest/Investment Income	-	-	-	-	-	-	-
17. Total Revenue	219,432	2,152,257	-	272,753	-	-	2,644,442
Non-Applied Reconciling Items							
18. Identify	-	-	-	-	-	-	-
19. Identify	-	-	-	-	-	-	-
20. Total Non-Applied Reconciling Items	-	-	-	-	-	-	-
21. Total Revenue per Audit	\$ 219,432	\$ 2,152,257	\$ -	\$ 272,753	\$ -	\$ -	\$ 2,644,442

* Additional Department Approved Service (DAS) is Shared Ride Service provided by selected agencies grandfathered into Section 1513.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Non-Public Revenue - Other Transportation - FY 15-16
Year Ended June 30, 2016

Transportation Revenue

1. MATP - Contract Rate Paratransit Revenue	\$ 728,540
2. W2W - Contract Rate Paratransit Revenue	-
3. Identify	-
4. Identify	-
5. Identify	-

Other Revenue

6. MATP - Mileage Reimbursement	44,021
7. W2W - Other (i.e. vehicle purchase/repair, fixed route fares)	-
8. Identify: Lackawanna County	-

Admin Reimbursement

9. MATP - Contract Rate Paratransit Admin	-
10. MATP - Mileage Reimbursement Admin	-
11. W2W - Admin/Case Management	-
12. Interest/Investment Income	-

13. Total Revenue 772,561

Non-Applied Reconciling Items

14. Identify	-
15. Identify	-

16. Total Non-Applied Reconciling Items -

17. Total Revenue per Audit \$ 772,561

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Reconciliation of Operating Revenues to Financial Statements Prepared under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2016

Operating revenues reported on Schedule of LEG - Fixed Route Revenues	\$ 1,312,315
Operating revenues reported on Schedule of LEG Non-Fixed Route Revenues - Urban	2,644,442
Operating revenues reported on Schedule of LEG Non-Public Revenues - Other Transportation	<u>772,561</u>
Total Operating Revenues per Schedules	<u>\$ 4,729,318</u>
Operating revenues	\$ 4,710,527
Investment income	9,805
Other income	<u>8,986</u>
Total Operating Revenues per Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 4,729,318</u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Fixed Route Subsidies - FY 15-16
Year Ended June 30, 2016

Subsidy	Urban	Rural	Total
1. Federal Operating Grant	\$ -	\$ -	\$ -
2. Federal Capital Grant to Fund Preventive Maintenance Costs	524,859	-	524,859
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			
Identify: Planning	44,556	-	44,556
6. Subtotal Federal Subsidy	569,415	-	569,415
7. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - State Share	771,857	-	771,857
8. Act 44 Section 1513 Operating Grant Amount Charged - Current Year - State Share	5,382,467	-	5,382,467
9. Act 3 ASG Grant Amount Charged - State Share	-	-	-
10. Act 3 BSG Grant Amount Charged - State Share	175,217	-	175,217
11. Special Operating Grants - State Share			
Identify	-	-	-
12. Subtotal State Subsidy	6,329,541	-	6,329,541
13. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - Local Share - Municipal Source	-	-	-
14. Act 44 Section 1513 Operating Grant Amount Charged - Current Year - Local Share - Municipal Source	408,189	-	408,189
15. Act 44 Section 1513 Operating Grant Amount Charged - Current Year - Local Share - Advertising Source	-	-	-
16. Act 44 Section 1513 Operating Grant Amount Charged - Current Year - Local Share - 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			
Identify	-	-	-
20. Subtotal Local Subsidy	408,189	-	408,189
21. Grand Total Subsidy	7,307,145	-	7,307,145
Non-Applied Reconciling Items			
22. Identify Federal	-	-	-
23. Identify State	-	-	-
24. Identify Local	-	-	-
25. Total Non-Applied Reconciling Items	-	-	-
26. Total Revenue per Audit	\$ 7,307,145	\$ -	\$ 7,307,145

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Non-Fixed Route Subsidies - Urban - FY 15-16
Year Ended June 30, 2016

Subsidy	ADA	Shared Ride		Public	Total
	Paratransit	Standard	DAS	Vanpool	
1. Federal Operating Grant	\$ -	\$ -	\$ -	\$ -	\$ -
2. Federal Capital Grant to Fund Preventive 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 Identify	-	-	-	-	-
6. Federal Shared-Ride Subsidy Identify	-	-	-	-	-
7. Subtotal Federal Subsidy	-	-	-	-	-
8. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - State Share	-	-	-	-	-
9. Act 44 Section 1513 Operating Grant Amount Charged - Current Year - State Share	-	-	-	-	-
10. Act 3 ASG Grant Amount Charged - State Share	-	-	-	-	-
11. Act 3 BSG Grant Amount Charged - State Share	-	-	-	-	-
12. Special Operating Grants - State Share Identify	-	-	-	-	-
13. State Shared Ride Subsidy Identify	-	-	-	-	-
14. Subtotal State Subsidy	-	-	-	-	-
15. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - Local Share - Municipal Source	-	-	-	-	-
16. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - Local Share - Municipal Source	-	-	-	-	-
17. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - Local Share - Advertising Source	-	-	-	-	-
18. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - Local Share - 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 Identify: Lackawanna County	43,104	-	-	-	43,104
22. Local Shared Ride Subsidy Identify	-	-	-	-	-
23. Subtotal Local Subsidy	43,104	-	-	-	43,104
24. Grand Total Subsidy	43,104	-	-	-	43,104
Non-Applied Reconciling Items					
25. Identify Federal: Carlisle Circulator	-	-	-	-	-
26. Identify State: Carlisle Circulator	-	-	-	-	-
27. Identify Local: Carlisle Circulator	-	-	-	-	-
28. Total Non-Applied Reconciling Items	-	-	-	-	-
29. Grand Total Subsidies per Audit	\$ 43,104	\$ -	\$ -	\$ -	\$ 43,104

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Reconciliation of Reported Subsidy to Financial Statements Prepared under Accounting Principles
Generally Accepted in the United States of America
Year Ended June 30, 2016

Subsidies Reported on the Schedule of LEG - Fixed Route Subsidies	\$ 7,307,145
Subsidies Reported on the Schedule of LEG - Non-Fixed Route Subsidies - Urban	<u>43,104</u>
Subsidies Reported on the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 7,350,249</u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule of LEG - Budget Summary - FY 15-16
 Year Ended June 30, 2016

	Fixed Route		Non-Fixed Route								Non-Public Transportation - Other	Total	
	Urban	Rural	ADA Paratransit		Shared Ride				Public Vanpool				
			Urban	Rural	Standard Urban	DAS* Urban	Standard Rural	DAS* Rural	Urban	Rural			
1. Total Operating Expenses	\$ 8,619,460	\$ -	\$ 262,536	\$ -	\$ 1,992,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 772,561	\$ 11,647,116
2. Total Revenue	1,312,315	-	219,432	-	2,425,010	-	-	-	-	-	-	772,561	4,729,318
3. Operating Deficit	(7,307,145)	-	(43,104)	-	432,451	-	-	-	-	-	-	-	(6,917,798)
4. Grand Total Subsidy	7,307,145	-	43,104	-	-	-	-	-	-	-	-	-	7,350,249
5. Applied Operating Result	-	-	-	-	432,451	-	-	-	-	-	-	-	432,451
Non-Applied Reconciling Items													
6. Total Non-Applied Reconciling Expense Items	1,513,905	-	31,605	-	213,325	-	-	-	-	-	-	33,711	1,792,546
7. Total Non-Applied Reconciling Revenue Items	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Total Non-Applied Reconciling Subsidy Items	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Operating Result per Audit	\$ (1,513,905)	\$ -	\$ (31,605)	\$ -	\$ 219,126	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (33,711)	\$ (1,360,095)

* Additional Department Approved Service (DAS) is Shared Ride Service provided by selected agencies grandfathered into Section 1513.

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule S1 - Local Match Provided - FY 15-16
 Year Ended June 30, 2016

Act 44 Section 1513 Local Match for Operating Funds Received

Contributor Name	Date of Final Payment	Total Amount Provided
Lackawanna County	6/1/2016	\$ 625,508
		-
		-
		-
Subtotal		625,508

Act 44 Section 1514 Local Match for Discretionary Capital Funds Received

Non Federal Projects
 Federal Projects
 Total Section 1514 Local Match Funds Received

Contributor Name	Date of Final Payment	Total Amount Provided
Lackawanna County	10/19/2016	\$ 37,940
		-
		-
		-
Subtotal		37,940

Act 44 Section 1514 Local Match for Capital Bond Funds Received

Contributor Name	Date of Final Payment	Total Amount Provided
		-
		-
		-
		-
Subtotal		-

Act 44 Section 1515 Local Match for New Initiatives

Contributor Name	Date of Final Payment	Total Amount Provided
		-
		-
		-
		-
Subtotal		-

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule S2 - Local Match Carryover - FY 15-16
Year Ended June 30, 2016

A.	Local match available as of June 30, 2015	\$ 633,414
B.	Local match funds provided during year ended June 30, 2016	663,448
C.	Local match operating expenditures for year ended June 30, 2016:	
a.	Act 44 Section 1513 Local operating grant charged (prior years) - Municipal Source	-
b.	Act 44 Section 1513 Local operating grant charged (current year) - Municipal Source	644,293
c.	Act 44 Section 1513 Local operating grant charged (current year) - Advertising Source	-
d.	Act 44 Section 1513 Local operating grant charged (current year) - Private Source	-
e.	Act 3 BSG Local operating grant charged (previous years)	-
f.	Act 3 ASG Local operating grant charged (previous years - RURAL ONLY)	-
g.	Other operating expenditures (if any)	-
h.	Other operating expenditures (if any)	-
i.	Other operating expenditures (if any)	-
j.	Other operating expenditures (if any)	-
		<hr/>
D.	Total local match operating expenditures for year ended June 30, 2016 (Sum C.a - C.j)	644,293
E.	Local match capital expenditures for year ended June 30, 2016:	
a.	Section 1514 - Discretionary local match capital expenditures (if any)	-
b.	Section 1514 - Bond local match capital expenditures (if any)	-
c.	Section 1515 - New Initiatives capital expenditures (if any)	-
d.	Section 1516 - Programs of statewide significance capital expenditures (if any)	-
e.	PTAF local match capital expenditures (previous years' funds)	-
f.	PTAF local match capital expenditures (current year funds)	-
g.	(Act 44 for PAAC and SEPTA only)	
g.	Act 3 BSG Local capital grant charged (previous years)	-
h.	Act 3 ASG Local capital grant charged (previous years)	-
i.	Other: Lackawanna County	121,852
j.	Other:	
k.	Other	-
		<hr/>
F.	Total local match capital expenditures for year ended June 30, 2016 (Sum E.a - E.k)	121,852
G.	Interest earned on local funds for year ended June 30, 2016	<hr/> -
H.	Local match funds available as of June 30, 2016 (A + B - D - F + G)	<hr/> \$ 530,717 <hr/>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Schedule S3 - Urban PTAF/BSG/ASG Carryover - FY 15-16
 Year Ended June 30, 2016

	ACT 26			ACT 3					
	PTAF	PTAF Required Local Match	PTAF Total Balance	BSG	BSG Required Local Match	BSG Total Balance	ASG	ASG Required Local Match	ASG Total Balance
Urban PTAF/BSG/ASG Grant Utilization for									
Fiscal Year Ended June 30, 2015									
1. Funds available as of June 30, 2015 (Line 3-6)	\$ 109,613	\$ 49,270	\$ 158,883	\$ 1,980,574	\$ 417,570	\$ 2,398,144	\$ -	\$ -	\$ -
2. Interest income earned in FY 2015-16	803	-	803	2,629	-	2,629	-	-	-
3. Total Funds Available in FY 2015-16 (Line 1+2)	110,416	49,270	159,686	1,983,203	417,570	2,400,773	-	-	-
4. Funds used for operating in FY 2016	-	-	-	-	-	-	-	-	-
5. Funds used for capital in FY 2016	-	-	-	45,986	-	45,986	-	-	-
6. Total Funds Used in FY 2015-16 (Line 4+5)	-	-	-	45,986	-	45,986	-	-	-
7. Funds Available as of June 30, 2016 (Line 3-6)	\$ 110,416	\$ 49,270	\$ 159,686	\$ 1,937,217	\$ 417,570	\$ 2,354,787	\$ -	\$ -	\$ -

County of Lackawanna Transit System Authority
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Schedule S5 - Urban Section 1513 Program Carryover - FY 15-16

	State Grant	Local Match	Total
A. FY 2015-16 Section 1513 URBAN Grant Agreement	\$ 6,653,784	\$ 624,496	\$ 7,278,280
Urban Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2016			
1. Section 1513 fund balance as of June 30, 2015	\$ 2,600,885	\$ -	\$ 2,600,885
2. Section 1513 funds received for FY 2015-16	4,360,598	624,496	4,985,094
3. PTAF Section 1513 funds received for FY 2015-16 (applicable to SEPTA and PAAC)	-	-	-
4. Total Section 1513 funds received for FY 2015-16 (Line 2+3, must agree with A above)	4,360,598	624,496	4,985,094
5. Interest income earned on Section 1513 funds in FY 2015	1,069	-	1,069
6. Total Section 1513 funds available in FY 2015-16 (Line 1+4+5)	6,962,552	624,496	7,587,048
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2015-16	6,063,654	624,496	6,688,150
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2015-16	-	-	-
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2015-16	-	-	-
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2015-16	-	-	-
11. Section 1513 funds used for Urban capital costs in FY 2015-16 (waiver required)	-	-	-
12. Section 1513 funds used for Rural capital costs in FY 2015-16 (waiver required)	-	-	-
13. Total Section 513 used in FY 2015-16 (Line 7+8+9+10+11+12)	6,063,654	624,496	6,688,150
14. Section 1513 Fund Balance as of June 30, 2016 (Line 6-13)	\$ 898,898	\$ -	\$ 898,898
B. FY 2015-16 Section 1513 RURAL Grant Agreement	\$ -	\$ -	\$ -
Rural Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2016			
15. Section 1513 fund balance as of June 30, 2015	\$ -	\$ -	\$ -
16. Section 1513 funds received for FY 2015-16 (must agree with B above)	-	-	-
17. Interest income earned on Section 1513 funds in FY 2015-16	-	-	-
18. Total Section 1513 funds available in FY 2015-16 (Line 15+16+17)	-	-	-
19. Section 1513 funds used for Rural fixed route operating expenses in FY 2015-16	-	-	-
20. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2015-16	-	-	-
21. Section 1513 funds used for Urban fixed route operating expenses in FY 2015-16	-	-	-
22. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2015-16	-	-	-
23. Section 1513 funds used for Rural capital costs in FY 2015-16 (waiver required)	-	-	-
24. Section 1513 funds used for Urban capital costs in FY 2015-16 (waiver required)	-	-	-
25. Total Section 513 used in FY 2015-16 (Line 19+20+21+22+23+24)	-	-	-
26. Section 1513 Fund Balance as of June 30, 2016 (Line 18-25)	\$ -	\$ -	\$ -
C. Total Agency Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2016			
27. Section 1513 fund balance as of June 30, 2015	\$ 2,600,885	\$ -	\$ 2,600,885
28. Section 1513 funds received for FY 2015-16	4,360,598	624,496	4,985,094
29. PTAF Section 1513 funds received for FY 2015-16 (applicable to SEPTA and PAAC)	-	-	-
30. Total Section 1513 funds received for FY 2015-16 (Line 28+29)	4,360,598	624,496	4,985,094
31. Interest income earned on Section 1513 funds in FY 2015-16	1,069	-	1,069
32. Total Section 1513 funds available for FY 2015-16 (Line 27+30+31)	6,962,552	624,496	7,587,048
33. Section 1513 funds used for Urban fixed route operating expenses in FY 2015-16	6,063,654	624,496	6,688,150
34. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2015-16	-	-	-
35. Section 1513 funds used for Rural fixed route operating expenses in FY 2015-16	-	-	-
36. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2015-16	-	-	-
37. Section 1513 funds used for Urban capital costs in FY 2015-16 (waiver required)	-	-	-
38. Section 1513 funds used for Rural capital costs in FY 2015-16 (waiver required)	-	-	-
39. Total Section 1513 Used in FY 2015-16 (Line 33+34+35+36+37+38)	6,063,654	624,496	6,688,150
40. Section 1513 Fund Balance as of June 30, 2016 (Line 32-39)	\$ 898,898	\$ -	\$ 898,898

County of Lackawanna Transit System Authority
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Schedule S6 - Shared Ride Expense Allocation Worksheet
 Year Ended June 30, 2016

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

	<u>% Allocated to Fixed Route</u>	<u>% Allocated to Paratransit (ADA)</u>	<u>% Allocated to Shared Ride</u>	<u>% Allocated to Non-Public</u>	<u>Basis for Allocation</u>
1. Operators' Salaries & Wages	- %	11.34 %	76.56 %	12.10 %	Other
2. Other Salaries & Wages	-	11.34	76.56	12.10	Other
3. Fringe Benefits	-	11.34	76.56	12.10	Other
4. Services	-	11.34	76.56	12.10	Other
5. Fuel & Lubricants	-	11.34	76.56	12.10	Other
6. Tires & Tubes	-	11.34	76.56	12.10	Other
7. Other Materials & Supplies	-	11.34	76.56	12.10	Other
8. Utilities	-	11.34	76.56	12.10	Other
9. Casualty & Liability Costs	-	11.34	76.56	12.10	Other
10. Taxes	-	11.34	76.56	12.10	Other
11. Purchased Transportation	-	11.34	76.56	12.10	Other
12. Miscellaneous Expenses	-	11.34	76.56	12.10	Other
13. Expense Transfers	-	11.34	76.56	12.10	Other

County of Lackawanna Transit System Authority
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Shared Ride Retained Earnings
Year Ended June 30, 2016

1.	Shared ride retained earnings balance as of June 30, 2015	\$	-
2.	Shared ride revenue received for FY 2015-16		2,425,010
3.	Interest income on shared ride revenue earned for FY 2015-16		<u>-</u>
4.	Total shared ride funds available in FY 2015-16		2,425,010
5.	Shared ride revenue used for operating expenses in FY 2015-16		<u>1,992,559</u>
6.	Shared ride retained earnings balance as of June 30, 2016	\$	<u><u>432,451</u></u>

County of Lackawanna Transit System Authority
A Component Unit of Lackawanna County

Capital Report #1 - Fiscal Year and Inception-to-Date Capital Project Spending
 Year Ended June 30, 2016

Capital Report #1											
Fiscal Year and Inception-to-Date Capital Project Spending											
		A	B	C	D	E	F	G	H=SUM (A:G)	I	J=H-I
1	Capital Project Title	Intermodal Construction	FR Buses	SR Vans	AVL	Shop Equipment	Ecolane Tablets		Total Spent	Total Granted Funds	Granted Funds Less Amt Spent
2	Expenditures Through the End of the Prior Fiscal Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Sources of Funds for the Current Fiscal Year										
3	Federal Capital - 5303/5304/5305 - FTA Planning	-	-	-	-	-	-	-	-	-	-
4	Federal Capital - 5307 - FTA Urban Formula	3,788,371	732,328	126,470	39,997	45,631	7,326	-	4,740,123	4,740,123	-
5	Federal Capital - 5309 - FTA Fixed Guideway	-	-	-	-	-	-	-	-	-	-
6	Federal Capital - 5309 - FTA Bus/Bus Facilities	-	-	-	-	-	-	-	-	-	-
7	Federal Capital - 5309 - FTA New/Small Starts	-	-	-	-	-	-	-	-	-	-
8	Federal Capital - 5310 - FTA Senior and PWD	-	-	-	-	-	-	-	-	-	-
9	Federal Capital - 5311 - FTA Rural	-	-	-	-	-	-	-	-	-	-
10	Federal Capital - 5311 - FTA Other	-	-	-	-	-	-	-	-	-	-
11	Federal Capital - 5313/5314 - FTA Research & Tech	-	-	-	-	-	-	-	-	-	-
12	Federal Capital - 5316 - FTA JARC	-	-	-	-	-	-	-	-	-	-
13	Federal Capital - FLEX	-	-	-	-	-	-	-	-	-	-
14	Federal Capital FHWA Programs (CMAQ, ITS, STP,...)	-	-	-	-	-	-	-	-	-	-
15	Federal Capital - Other (5317)	-	-	-	-	-	-	-	-	-	-
16	State - 1513 - Waiver to Use for Capital	-	-	-	-	-	-	-	-	-	-
17	State Capital - 1514 - PA Bond Program	-	-	-	-	-	-	-	-	-	-
18	State Capital - 1514 - Discretionary	252,020	-	-	-	-	-	-	252,020	252,020	-
19	State Capital - 1515 - New Initiatives	-	-	-	-	-	-	-	-	-	-
20	State Capital - 1516 - CTC	-	-	187,456	-	-	-	-	187,456	187,456	-
21	State Capital - 1516 - Other (NF)	-	-	-	-	-	-	-	-	-	-
22	State Capital - 1517 - Capital Improvement Program	734,314	152,598	-	8,334	9,507	1,526	-	906,279	906,279	-
23	State Capital - PTAF	-	-	-	-	-	-	-	-	-	-
24	State Capital - All Sources Used for Debt Service	-	-	-	-	-	-	-	-	-	-
25	State Capital - ASG/BSG	134,003	-	-	-	-	-	-	134,003	134,003	-
26	State Capital - Other	-	-	-	-	-	-	-	-	-	-
27	Local Match - 1513 - Waiver to Use for Capital	-	-	-	-	-	-	-	-	-	-
28	Local Match Capital - 1514 - PA Bond Program	-	-	-	-	-	-	-	-	-	-
29	Local Match Capital - 1514 - Discretionary	-	-	-	-	-	-	-	-	-	-
30	Local Match Capital - 1515 - New Initiatives	-	-	-	-	-	-	-	-	-	-
31	Local Match Capital - 1516 - CTC	-	-	-	-	-	-	-	-	-	-
32	Local Match Capital - 1516 - Other	-	-	-	-	-	-	-	-	-	-
33	Local Match Capital - PTAF	-	-	-	-	-	-	-	-	-	-
34	Local Match Capital - All Sources Used for Debt Service	-	-	-	-	-	-	-	-	-	-
35	Local Match Capital - ASG/BSG	-	-	-	-	-	-	-	-	-	-
36	Local Match Other	-	-	-	-	-	-	-	-	-	-
37	Local Contribution	87,493	30,484	-	1,666	1,903	306	-	121,852	121,852	-
38	Proceeds from Agency Issued Bonds	-	-	-	-	-	-	-	-	-	-
39	Agency Loan Proceeds	-	-	-	-	-	-	-	-	-	-
40	Other Financing Transaction Proceeds	-	-	-	-	-	-	-	-	-	-
41	Internal Working Capital	-	-	-	-	-	-	-	-	-	-
42	Proceeds from Disposition of Assets	-	-	-	-	-	-	-	-	-	-
43	Foundations and Non-Profits	-	-	-	-	-	-	-	-	-	-
44	Private	-	-	-	-	-	-	-	-	-	-
45	Other	-	-	-	-	-	-	-	-	-	-
46	Total Sources of Funds Spent in the Current Fiscal Year	4,996,201	915,410	313,926	49,997	57,041	9,158	-	6,341,733	6,341,733	-
									Grand Total		
47	Total Sources of Funds Spent Inception-to-Date	4,996,201	915,410	313,926	49,997	57,041	9,158	-	6,341,733	-	-
48	Total Granted Sources of Funds Inception to Date	4,996,201	915,410	313,926	49,997	57,041	9,158	-	6,341,733	-	-
49	Granted Sources Less Amount Spent Inception to Date	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -