

**South Central Transit Authority**  
**Financial Statements**  
**June 30, 2015**



**REINSEL KUNTZ LESHER**  
certified public accountants & consultants

**FOCUSED. ON YOU.**

# South Central Transit Authority

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## Independent Auditor's Report

To the Board of Directors  
South Central Transit Authority  
Lancaster, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the South Central Transit Authority (the Authority) which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the six month period ended June 30, 2015, 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.

### **Basis for Qualified Opinion**

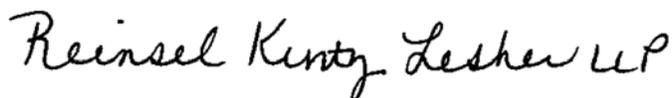
Sufficient information was not provided timely to allow the Authority to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The effects on the financial statements of this item is not reasonably determinable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the South Central Transit Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



December 29, 2015  
Lancaster, Pennsylvania

## **South Central Transit Authority**

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### Management's Discussion and Analysis

June 30, 2015

The following discussion and analysis of the South Central Transit Authority's (SCTA or the Authority) financial performance provides an introduction to the Authority's basic financial statements for the six month period ended June 30, 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

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

- SCTA was formed January 1, 2015 by the counties of Lancaster and Berks to provide transportation services to the counties.
- The Authority's assets exceeded its liabilities at June 30, 2015 by \$114,386.
- The Authority's operating revenues for the six month period ended June 30, 2015 were \$2,100,000, which was comprised entirely of management service income.
- The Authority's operating expenses for the six month period ended June 30, 2015 were \$1,985,614, which was comprised primarily of salaries and wages and benefits.

#### **Overview of the Financial Statements**

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

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

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

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

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

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

## South Central Transit Authority

### Management's Discussion and Analysis

June 30, 2015

#### Financial Analysis

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$114,386 as of June 30, 2015.

A condensed summary of the Authority's statement of net position is presented below at June 30, 2015:

<b>Current Assets</b>	<b>\$ 353,573</b>
<b>Current Liabilities</b>	<u><b>239,187</b></u>
<b>Unrestricted Net Position</b>	<u><u><b>\$ 114,386</b></u></u>

The net position balance of \$114,386 at June 30, 2015 represents unrestricted surplus which is not subject to external restrictions on how it may be used.

**Changes in Revenues and Expenses.** A condensed summary of the Authority's statement of revenues, expenses, and changes in net position is presented below for the six month period ended June 30, 2015:

<b>Operating Revenues</b>	
Management services income	<u><b>\$ 2,100,000</b></u>
<b>Operating Expenses</b>	
Salaries and payroll taxes	<b>995,772</b>
Fringe benefits	<b>661,647</b>
Other operating expenses	<u><b>328,195</b></u>
<b>Total Operating Expenses</b>	<u><b>1,985,614</b></u>
<b>Income from Operations</b>	<u><u><b>\$ 114,386</b></u></u>

The Authority's major expenses are salaries and wages and fringe benefits.

As previously noted, the Authority began operations on January 1, 2015, therefore no comparative data is available for historical analysis. In addition, the Authority did not prepare a formal operating budget.

#### Capital Assets and Draft Administration

The Authority does not own any capital assets, nor has it issued any debt.

## **South Central Transit Authority**

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### Management's Discussion and Analysis

June 30, 2015

#### **Economic Factors**

This was the first partial year of SCTA being formed and performing the management oversight of both the Berks Area Regional Transit Authority (BARTA) and the Red Rose Transit Authority (RRTA) with the merger of the administrative staffs. As a direct result of the merger, eight administrative positions were eliminated due to duplicative functions resulting in significant savings in administrative costs. Further, other cost savings were realized from combining legal services, audit services, health care, and purchase of spare parts for the vehicles for both fleets. Together, the savings were over \$800,000 per year which qualified both Berks and Lancaster Counties to eliminate the required local match for state operating funds for a five year period as allowed by Act 89. Under this provision, the state provided an incentive for transit systems to merge and whatever cost savings resulted would offset the required local match. The creation of SCTA resulted in savings in excess of the local match for both counties for a five year period and then after this period, the local match will be split 50/50 at the prior levels. This will result in an additional \$780,000 in operating funds in 2020.

It is also important to note that since Lancaster and Berks are separate urbanized areas, any funds from the Federal Transit Administration (FTA) must continue to be spent in each urbanized area and cannot be commingled even though SCTA has become the designated recipient for both urbanized areas. As such, SCTA must continue to program funds for capital projects based on the amounts received for both areas. State operating funds can be commingled and used as needed for changes in fixed route service.

For the fiscal year, ridership increased by 2% for RRTA while decreasing 5.1% for BARTA. While the economy continues to recover slowly, the unemployment rate for Berks County has been higher than Lancaster which has been a historic trend. Both systems have Act 44 operating reserves from prior years that can be used to expand service. In fact, both systems had planned expansions for FY 2016 that included providing Sunday service for BARTA for the first time in over ten years and expanding service to two new warehouse centers in Lancaster which will both employ over 500 employees each with minor expansions of two existing routes. The shared ride service showed similar ridership trends with RRTA showing a 2.8% increase and BARTA showing a 1.3% decrease.

SCTA is also working on maximizing leasing opportunities at the transit centers currently operating for both systems in the downtown areas of the City of Lancaster and the City of Reading. This added income will help offset the operating costs for bus service in both communities. There still remains some opportunities available for each system that will be explored including the leasing of the Franklin Street Station in Reading and the air rights over the Queen Street Station Parking Garage in Lancaster.

Another major factor affecting operating costs has been the dropping price of diesel fuel worldwide. SCTA bid out diesel fuel for both systems combined and was able to lock in at a much lower price than previous years and saved \$1.00 per gallon of fuel which translates into nearly a combined \$750,000 savings in operating costs. It appears the lower price trend is continuing into the next fiscal year.

In terms of capital improvements, both systems ordered replacement buses during the year with delivery expected in October 2015 and include ten new electric hybrid buses in Lancaster and three similar buses in Reading. The electric hybrid buses have proven to increase the fuel economy by as much as 30% in Lancaster with the prior buses purchased. In both cases the new buses will be replacing buses that were beyond their useful life. SCTA has developed a 25 year capital improvement plan for both systems.

## **South Central Transit Authority**

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Management's Discussion and Analysis

June 30, 2015

### **Contacting the Authority's Financial Management**

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

# South Central Transit Authority

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## Statement of Net Position

June 30, 2015

### *Assets*

#### **Current Assets**

Cash - unrestricted	\$	351,914
Accounts receivable		421
Prepaid expenses		<u>1,238</u>

<b>Total Current Assets</b>		<u><b>353,573</b></u>
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### *Liabilities*

#### **Current Liabilities**

Accounts payable - operating		75,191
Accrued payroll taxes and withholdings		15,797
Accrued vacation		<u>148,199</u>

<b>Total Current Liabilities</b>		<u><b>239,187</b></u>
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### *Net Position*

#### **Net Position**

Unrestricted		<u>114,386</u>
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<b>Total Net Position</b>	\$	<u><u><b>114,386</b></u></u>
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## **South Central Transit Authority**

Statement of Revenues, Expenses, and Changes in Net Position  
Six Month Period Ended June 30, 2015

### **Operating Revenues**

Management service income \$ 2,100,000

**Total Operating Revenues** 2,100,000

### **Operating Expenses**

Salaries and wages 995,772

Fringe benefits 661,647

Services 12,480

Fuel and lubricants 199,951

Other materials and supplies 9,052

Casualty and liability 2,997

Miscellaneous expense 103,715

**Total Operating Expenses** 1,985,614

**Income from Operations** 114,386

**Net Position, Beginning of Period** -

**Net Position, End of Period** \$ 114,386

## South Central Transit Authority

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### Statement of Cash Flows

Six Month Period Ended June 30, 2015

#### Cash Flows Provided by Operating Activities

Cash received from customers	\$ 2,099,579
Cash payments to suppliers for goods and services	(154,937)
Cash payments to employees for services	<u>(1,592,728)</u>
<b>Net Increase in Cash</b>	<b>351,914</b>
<b>Cash, Beginning of Period</b>	<u>-</u>
<b>Cash, End of Period</b>	<u><u>\$ 351,914</u></u>

#### Reconciliation of Income from Operations to Net Cash Provided by Operating Activities

Income from operations	\$ 114,386
Adjustments to reconcile income from operations to net cash provided by operating activities	
Change in assets and liabilities	
Increase in assets	
Accounts receivable	(421)
Prepaid expenses	(1,238)
Increase in liabilities	
Accounts payable and accrued expenses	<u>239,187</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 351,914</u></u>

## **South Central Transit Authority**

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### Notes to Financial Statements

June 30, 2015

#### **Note 1 - Nature of Activity**

The South Central Transit Authority (the Authority) was created January 1, 2015 under the laws of the Commonwealth of Pennsylvania, in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation within Lancaster and Berks Counties. The Authority is governed by a ten member Board of Directors comprised of five board members appointed by both Lancaster and Berks Counties.

The Authority was created to merge the administrative staff at both Red Rose Transit Authority (RRTA) and Berks Area Regional Transportation Authority (BARTA). South Central Transit Authority is the administrative authority that oversees both RRTA and BARTA services.

The Authority is funded by operating revenues and will be funded by federal, state, and local operating, planning, and capital grants moving forward.

#### **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 to be 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.

##### **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 the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**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 management services provided to RRTA and BARTA. Operating expenses include administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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**

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

**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 collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**Prepaid Expenses**

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

**Compensated Absences**

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

## South Central Transit Authority

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### Notes to Financial Statements

June 30, 2015

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

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

###### **Net Position**

Net position is classified as unrestricted and is available for Authority operations.

###### **Advertising Costs**

Advertising costs are expensed as incurred.

##### **Recent Accounting Pronouncements**

In June 2012, Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. The objective of this statement is to improve accounting and reporting by governments for pension plans, including recognition as a liability the unfunded pension liability. This statement is effective for periods beginning after June 15, 2014 and the Authority will adopt this statement in its June 30, 2016 financial statements. The Authority had no defined benefit plans as of June 30, 2015, but will have one as of July 1, 2015.

In July 2004, the GASB issued GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Due to the lack of available information the Authority was unable to implement the provisions of GASB 45.

In February 2015, the GASB issued 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. This guidance is effective for reporting periods beginning after June 15, 2015. The Authority is currently evaluating what effect, if any, the adoption of this guidance will have on the Authority's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement requires governments to report a liability on the face of the financial statements for the net other postemployment benefits (OPEB) liability. This guidance also requires governments to present more extensive note disclosures and supplementary information for OPEB plans. Statement No. 75 is effective for periods beginning after June 15, 2017. The Authority is current evaluating what effect, if any, the adoption of this guidance will have on the Authority's financial statements.

#### **Note 3 - Budget Matters**

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

## **South Central Transit Authority**

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Notes to Financial Statements

June 30, 2015

### **Note 4 - Stewardship, Compliance, and Accountability**

#### **Compliance with Finance-Related Legal and Contractual Provisions**

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

### **Note 5 - Cash and Cash Equivalents**

#### **Cash Deposits**

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

As of June 30, 2015, the carrying amount of the Authority's bank deposits was \$351,914, and the corresponding bank balance was \$371,326, of which \$121,326 was exposed to custodial risk because it was uninsured, but was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

### **Note 6 - Advertising**

Advertising costs included in the statement of revenues, expenses, and changes in net position for the six month period ended June 30, 2015 was \$39,143.

### **Note 7 - Commitment and Contingencies**

#### **Commitment**

##### **Fuel**

The Authority has entered into an agreement to purchase bio-diesel at a fixed price of \$2.0828 per gallon for the period of April 1, 2015 through March 31, 2016 for Red Rose Transit Authority and from July 1, 2015 through March 31, 2016 for Berks Area Regional Transportation Authority as there was already a commitment in place through June 30, 2015.

#### **Contingencies**

##### **Grants**

A significant portion of the Authority's support is received from transit authorities which depend on 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.

## **South Central Transit Authority**

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Notes to Financial Statements

June 30, 2015

### **Note 7 - Commitments and Contingencies (continued)**

#### **Contingencies (continued)**

##### **Audit**

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

##### **Unemployment Compensation**

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

### **Note 8 - Management Agreement**

The Authority entered into Mutual Cooperation Agreements with the Red Rose Transportation Authority (RRTA) and the Berks Area Regional Transportation Authority (BARTA) which took effect on January 1, 2015. The agreements call for South Central Transit Authority to provide all executive, management, administrative, and support services to RRTA and BARTA in exchange for monthly payments of \$175,000 from each Authority. The initial term of the agreement ended June 30, 2015. Management service income included in the statement of revenues, expenses, and changes in net position for the six month period ended June 30, 2015 was \$2,100,000.

The Authority entered into a subcontract agreement with the RRTA and BARTA which takes effect on July 1, 2015 and extends through June 30, 2020. The agreement calls for the Authority to provide fixed route transportation services and paratransit services for the Counties of Lancaster and Berks. Under the agreement, the Authority will utilize existing vehicles and facilities of RRTA and BARTA. The payment of all such maintenance, repairs, operating and insurance costs by South Central Transit Authority shall be the consideration for the lease of such properties, without the payment of any additional sums and shall be considered the rent for such properties. South Central Transit Authority will be receiving future grants which will fund transportation services in the County of Berks and as a result, South Central Transit Authority may purchase vehicles, supplies, and services needed to provide the contracted transportation services.

As a result, RRTA and BARTA transferred all of their remaining capital reserves totaling \$256,721, respectively to the South Central Transit Authority for the future acquisition of assets related to providing transportation services. Any existing leases or contracts shall be assigned to the South Central Transit Authority.

In addition, South Central Transit Authority have been designated as the public transportation service provider for Lancaster and York Counties and has been designated as the recipient of future federal state and local operating grants normally received by RRTA and BARTA.

## **South Central Transit Authority**

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Notes to Financial Statements

June 30, 2015

### **Note 9 - Subsequent Events**

The Authority has evaluated subsequent events through December 29, 2015. This date is the date the financial statements were available to be issued. No events subsequent to June 30, 2015 were noted.



# **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

## **Independent Auditor's Report**

To the Board of Directors  
South Central Transit Authority  
Lancaster, Pennsylvania

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Central Transit Authority as of and for the six month period ended June 30, 2015 and the related notes to the financial statements, which collectively comprise South Central Transit Authority's basic financial statements, and have issued our report thereon dated December 29, 2015.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Reinsel Kintz Lesher LLP*

December 29, 2015  
Lancaster, Pennsylvania