



**Financial Statements and
Supplementary Information
June 30, 2017 and 2016**



South Central Transit Authority

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June 30, 2017 and 2016

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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) as of and for the years ended June 30, 2017 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the Pennsylvania Department of Transportation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 South Central Transit Authority as of June 30, 2017 and 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.

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 9 and other required supplementary information on pages 35 to 37 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 4, 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* in considering the Authority's internal control over financial reporting and compliance.

RKL LLP

December 4, 2017
Lancaster, Pennsylvania

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

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 years ended June 30, 2017 and 2016. Please read it in conjunction with the Authority's financial statements.

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 net position increased approximately \$3,036,000 or 84.1% for the year ended June 30, 2017, compared to increases of approximately \$3,494,000 or 3,054.6% and \$114,000 for the years ended June 30, 2016 and 2015, respectively. These changes were primarily the result of fluctuations in capital grant revenues which are utilized to purchase capital assets, primarily revenue vehicles. Capital grant revenues approximated \$3,746,000, \$3,554,000, and \$-0- for the years ended June 30, 2017, 2016, and 2015, respectively.
- The Authority's operating revenues decreased approximately \$7,652,000 or 30.0% for the year ended June 30, 2017. The decrease is primarily the result of having approximately \$8,925,000 of in-kind revenue and expense in the year ended June 30, 2016. The Authority's operating revenues increased approximately \$23,417,000 or 1,115.1% for the year ended June 30, 2016 over the year ended June 30, 2015.
- The Authority's operating expenses increased approximately \$1,092,000 or 3.5% for the year ended June 30, 2017. The increase is primarily the result of an increase in purchased transportation of approximately \$10,000,000 in 2017. The Authority's operating expenses increased approximately \$29,665,000 or 1,494.0% for the year ended June 30, 2016 over the year ended June 30, 2015.

Overview of the Financial Statements

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

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

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

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

Overview of the Financial Statements (continued)

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including management's discussion and analysis and information concerning the Authority's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees.

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

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 and deferred outflow of resources exceeded liabilities and deferred inflow of resources by approximately \$6,644,000, \$3,608,000 and \$114,000 as of June 30, 2017, 2016 and 2015, respectively.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets	\$ 18,329,143	\$ 14,350,662	\$ 353,573
Capital assets, net	6,532,674	3,431,078	-
Total Assets	<u>24,861,817</u>	<u>17,781,740</u>	<u>353,573</u>
Deferred Outflow of Resources - Pension	<u>84,215</u>	<u>111,691</u>	<u>-</u>
Liabilities			
Current liabilities	17,827,201	13,984,519	239,187
Postemployment benefit liability	31,379	16,944	-
Net pension liability	407,003	283,563	-
Total Liabilities	<u>18,265,583</u>	<u>14,285,026</u>	<u>239,187</u>
Deferred Inflow of Resources - Pension	<u>36,028</u>	<u>-</u>	<u>-</u>
Net Position			
Investment in capital assets	6,532,674	3,431,078	-
Unrestricted	111,747	177,327	114,386
Total Net Position	<u>\$ 6,644,421</u>	<u>\$ 3,608,405</u>	<u>\$ 114,386</u>

By far the largest portion of the Authority's net position 98.3%, 95.1%, and 0% as of June 30, 2017, 2016, and 2015, respectively, reflects its investment in capital assets (e.g., revenue vehicles and equipment and furniture and office equipment). The Authority receives capital grant funding from federal, state, and local governments to acquire these capital assets. Therefore, certain restrictions are placed on their disposal. The Authority uses these capital assets to provide services to citizens. For this reason, and due to the restrictions placed on the disposal of these capital assets, these assets are not available for future spending.

The unrestricted net position of approximately \$112,000, \$177,000 and \$114,000 at June 30, 2017, 2016, and 2015 represents unrestricted surplus which is not subject to external restrictions on how it may be used.

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

Financial Analysis (continued)

Changes in Revenues and Expenses. A condensed summary of the Authority's statement of revenues, expenses, and changes in net position is presented below for the years ended June 30, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues			
Passenger fares	\$ 8,710,209	\$ 8,688,174	\$ -
Government fare programs	5,482,676	4,661,418	-
Other operating revenues	3,672,123	12,167,637	2,100,000
Total Operating Revenues	<u>17,865,008</u>	<u>25,517,229</u>	<u>2,100,000</u>
Operating Expenses			
Salaries and wages	2,269,964	2,190,855	995,772
Fringe benefits	1,614,683	1,335,214	661,647
Purchased transportation	23,490,619	13,509,989	-
Other operating expenses	4,763,538	14,491,372	328,195
Depreciation	602,897	122,707	-
Total Operating Expenses	<u>32,741,701</u>	<u>31,650,137</u>	<u>1,985,614</u>
Nonoperating Revenues			
Operating grants			
Federal government	2,961,181	2,934,712	-
Commonwealth of Pennsylvania Act 44 funds	11,205,141	3,133,145	-
Interest income	-	5,285	-
Total Nonoperating Revenues	<u>14,166,322</u>	<u>6,073,142</u>	<u>-</u>
Capital Grant Funding	<u>3,746,387</u>	<u>3,553,785</u>	<u>-</u>
Increase in Net Position	<u>\$ 3,036,016</u>	<u>\$ 3,494,019</u>	<u>\$ 114,386</u>

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

Capital Assets and Debt Administration

Capital Assets

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

The Authority's investment in capital assets as of June 30, 2017, 2016, and 2015, net of accumulated depreciation, amounted to approximately \$6,533,000, \$3,431,000 and \$0-, respectively.

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Capital assets (net of accumulated depreciation) were as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Revenue vehicles and equipment	\$ 5,825,330	\$ 3,286,177
Furniture and office equipment	247,033	96,354
Miscellaneous revenue equipment	<u>460,311</u>	<u>48,547</u>
	<u>\$ 6,532,674</u>	<u>\$ 3,431,078</u>

During the years ended June 30, 2017 and 2016, the Authority expended approximately \$3,746,000 and \$3,554,000, respectively, on capital asset activities.

Additional information related to capital assets can be found in Note 10 to the financial statements.

Debt Administration

The Authority has no debt. Capital acquisitions are funded by federal, state, and local governmental grants.

Economic Factors

This fiscal year represented the second full year of the merger of the administrative functions between the Berks Area Regional Transportation (BARTA) and the Red Rose Transit Authority (RRTA) with the newly formed South Central Transit Authority (SCTA). With the merger, BARTA and RRTA only employ the drivers and mechanics necessary to provide the fixed-route and shared ride services within Berks and Lancaster Counties, respectively, while all administrative functions are now performed by SCTA. It should be noted that SCTA is the designated recipient for all new federal and state funds and has direct responsibility for the maintenance of all facilities through a long-term lease agreement with BARTA and RRTA which entails seven facilities in total. All new vehicles purchased for either fixed-route service or shared ride service are now owned by SCTA and leased back to either BARTA or RRTA as appropriate to operate and maintain. Through the cost savings from the merger and increased operating funds from the state, SCTA added service this fiscal year in both communities. The new service was aimed at improving access to jobs by adding frequency of service on the best routes in Reading and adding frequency of service on the best routes in Lancaster and expanding service to Shady Maple, a high employment area to the east of New Holland.

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

Economic Factors (continued)

For the fiscal year, total ridership for both systems decreased by 4.1% with the fixed-route service decreasing by 4.4% and the shared ride service decreasing by 4.7%. For BARTA, overall ridership decreased by 3.1% with fixed-route ridership decreasing 3.1% and the shared ride ridership decreasing 5.7%. For RRTA, overall ridership decreased by 5.5% with fixed-route ridership decreasing 6.3% and the shared ride ridership decreasing 3.9%. SCTA continued its efforts to market the fixed-route service, particularly to residents 65 or older that can ride free due to the funding from the state lottery program which did result in a 2.4% increase in senior ridership for fixed-route and a 19.8% increase in shared ride senior ridership. The relatively low price of gasoline for the past few years appears to be one of the major factors in decreasing ridership on the fixed-route service. For shared ride, the reductions in funding for many human service agencies is having a negative effect on ridership. A fare increase for both shared ride service was implemented July 1, 2017 to keep pace with expenses and to keep these service financially sustainable.

In an effort to address the downward trends, a Transit Development Plan (TDP) Update is planned for FY 2018 that will evaluate the need to increase levels of service and evaluate the need for service between Lancaster and Berks counties. This planning study will be completed for all of SCTA's services and recommendations for future service levels will be expected by fall of 2018. This will be the first time that a joint TDP Update is completed for SCTA's services in both communities with an emphasis being placed on providing access to job centers in the service areas.

In terms of capital improvements, SCTA received 12 new hybrid electric buses during the fiscal year with four in Reading that replaced four 2004 Opus buses that were beyond their useful life and eight in Lancaster that replaced 2005 Gillig buses. Another seven new hybrid electric buses were ordered for Reading during the fiscal year with another ten to be ordered in early FY 2018 to replace seventeen 2005 Gillig buses. SCTA expects to order another five for Lancaster by the end of 2017 to replace the three trolley buses from 2003 and 2005, plus two 2005 Gillig buses. All 22 replacement buses are expected to be delivered by the end of 2018. For the shared ride service, vehicle replacements were also completed with 12 vans being replaced in Reading and 11 vans being replaced in Lancaster during the fiscal year.

One of the major projects underway in Reading is the expansion of the vehicle storage area at the BARTA operations center. At present, only about half of the vehicle fleets, both fixed-route and shared ride can be stored inside, which has created some issues during the winter with snow removal and vehicle maintenance. SCTA has started to program federal funds for this project and the Pennsylvania Department of Transportation is funding the design and engineering for this project. The project is expected to be bid in early spring 2018 with construction expected to take roughly 12 months. In Lancaster, the renovation/rehabilitation of the Queen Street Station - Phase I facility is underway with construction expected to be completed by the end of November 2017. SCTA is also continuing efforts to lease the Franklin Street Station in Reading and issued a request for proposal (RFP) to obtain a tenant. This is also the case for the air rights above the Queen Street Station Parking Garage with the current option by the HDC Mid-Atlantic due to expire at the end of 2017. If they are unable to get the necessary financing for their project, SCTA will need to issue another RFP to solicit possible developers.

South Central Transit Authority

Management's Discussion and Analysis

June 30, 2017 and 2016

Economic Factors (continued)

Further, with the continuing decrease in oil prices during the fiscal year, SCTA was able to lock-in fuel purchases for a two-year period at \$1.32 per gallon the first year and \$1.51 the second year which began April 1, 2017 compared to \$2.08 per gallon in FY 2015. For gasoline for the shared ride fleet, the price is \$1.17 the first year and \$1.32 the second year compared to \$1.77 in FY 2015. This translates into operating savings of nearly \$700,000 for an entire fiscal year. SCTA will need to bid fuel during FY 2018 as the current contract expires March 31, 2018. There has also been an effort to increase shared ride fares in Reading and Lancaster in order to reduce the financial burden of this service on the operating reserves, which has become unsustainable.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for 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

Statement of Net Position

	June 30,	
	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 120	\$ 401,566
Cash and cash equivalents - restricted	14,527,366	11,755,773
Accounts receivable	2,664,539	1,366,638
Inventory	972,192	688,757
Prepaid expenses	18,511	14,732
Operating and planning grants receivable	62,758	28,978
Capital grants receivable	83,657	94,218
Total Current Assets	18,329,143	14,350,662
Capital Assets Being Depreciated, Net	6,532,674	3,431,078
Total Assets	24,861,817	17,781,740
Deferred Outflow of Resources - Pension	84,215	111,691
Total Assets and Deferred Outflow of Resources	24,946,032	17,893,431
Liabilities		
Current Liabilities		
Accounts payable; including amounts due to Red Rose Transit Authority; 2017 \$281,978; 2016 \$316,680 and amounts due to Berks Area Regional Transportation Authority; 2017 \$403,451; 2016 \$741,233	1,643,983	1,888,405
Accrued wages	260,069	255,468
Payroll taxes and withholdings	13,403	12,676
Unearned federal operating revenue	72,197	72,197
Unearned Commonwealth of Pennsylvania Act 44 Funds	15,837,549	11,755,773
Total Current Liabilities	17,827,201	13,984,519
Long-Term Liabilities		
Postemployment benefit liability	31,379	16,944
Net pension liability	407,003	283,563
Total Long-Term Liabilities	438,382	300,507
Total Liabilities	18,265,583	14,285,026
Deferred Inflow of Resources - Pension	36,028	-
Net Position		
Net Position		
Investment in capital assets	6,532,674	3,431,078
Unrestricted	111,747	177,327
Total Net Position	\$ 6,644,421	\$ 3,608,405

See accompanying notes.

South Central Transit Authority

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2017	2016
Operating Revenues		
Passenger fares	\$ 5,173,954	\$ 5,484,220
State Medical Assistance Transportation Program	5,122,391	4,322,326
State Shared Ride Program	3,536,255	3,203,954
Area Agency on Aging	360,285	339,092
Other contract revenue	2,913,448	2,547,926
Advertising	213,321	253,604
Miscellaneous income	545,354	441,006
In-kind purchased transportation revenue	-	8,925,101
Total Operating Revenues	17,865,008	25,517,229
Operating Expenses		
Salaries and wages	2,269,964	2,190,855
Fringe benefits	1,614,683	1,514,350
Services	871,900	896,673
Fuel and lubricants	1,292,228	1,855,962
Tires and tubes	204,621	206,792
Other materials and supplies	1,531,128	1,708,601
Utilities	469,993	470,927
Casualty and liability	125,504	116,637
Purchased transportation	23,490,619	13,509,989
In-kind purchased transportation	-	8,925,101
Miscellaneous expense	268,164	131,543
Depreciation	602,897	122,707
Total Operating Expenses	32,741,701	31,650,137
Loss from Operations	(14,876,693)	(6,132,908)
Nonoperating Revenues (Expenses)		
Capital funds used for operating assistance and planning grants		
Federal government	2,300,000	2,274,510
Operating grants		
Federal government	661,181	660,202
Commonwealth of Pennsylvania Act 44 Funds	11,205,141	3,133,145
Total Government Subsidies for Operations	14,166,322	6,067,857
Interest income	-	5,285
Total Nonoperating Revenues	14,166,322	6,073,142
Loss Before Capital Grant Funding	(710,371)	(59,766)

South Central Transit Authority

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

	Years Ended June 30,	
	2017	2016
Capital Grant Funding		
Federal government	1,022,738	2,025,628
Commonwealth of Pennsylvania Act 44 Funds	2,723,649	1,486,264
Local governments	-	41,893
Total Capital Grant Funding	3,746,387	3,553,785
Increase in Net Position	3,036,016	3,494,019
Net Position at Beginning of Year	3,608,405	114,386
Net Position at End of Year	\$ 6,644,421	\$ 3,608,405

South Central Transit Authority

Statement of Cash Flows

	Years Ended June 30,	
	2017	2016
Cash Flows from Operating Activities		
Cash received from customers	\$ 16,021,753	\$ 14,784,905
Cash payments to suppliers for goods and services	(28,583,687)	(17,600,466)
Cash payments to employees for services	(3,880,046)	(3,597,936)
Other operating cash receipts	545,354	441,006
Net Cash Used in Operating Activities	(15,896,626)	(5,972,491)
Cash Flows Provided by Noncapital Financing Activities		
Receipts from operating and planning grants	18,214,679	17,866,849
Cash Flows from Capital and Related Financing Activities		
Receipts from capital grants	3,767,387	3,459,567
Purchase of capital assets	(3,715,293)	(3,553,785)
Net Cash Provided by (Used in) Capital and Related Financing Activities	52,094	(94,218)
Cash Flows Provided by Investing Activities		
Interest income received	-	5,285
Net Increase in Cash and Cash Equivalents	2,370,147	11,805,425
Cash and Cash Equivalents at Beginning of Year	12,157,339	351,914
Cash and Cash Equivalents at End of Year	\$ 14,527,486	\$ 12,157,339
Cash and Cash Equivalents is Comprised of the Following on the Statement of Net Position		
Cash and cash equivalents	\$ 120	\$ 401,566
Cash and cash equivalents - restricted	14,527,366	11,755,773
	\$ 14,527,486	\$ 12,157,339

South Central Transit Authority

Statement of Cash Flows (continued)

	Years Ended June 30,	
	2017	2016
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities		
Loss from operations	\$ (14,876,693)	\$ (6,132,908)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	602,897	122,707
Increase in assets		
Accounts receivable	(1,297,901)	(1,366,217)
Inventories	(283,435)	(688,757)
Prepaid expenses	(3,779)	(13,494)
(Increase) decrease in deferred outflows of resources - pension	27,476	(111,691)
Increase in deferred inflows of resources - pension	36,028	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(239,094)	1,917,362
Postemployment benefit liability	14,435	16,944
Net pension liability	123,440	283,563
Net Cash Used in Operating Activities	\$ (15,896,626)	\$ (5,972,491)

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

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 by Lancaster and Berks Counties each appointing five board members.

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 a combination of operating revenues and federal, state, and local operating, planning, 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 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 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 and capital grants from federal, state, and local governments and interest income. The principle nonoperating expenses are losses on the disposal of capital assets.

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

Use of Estimates

The preparation of financial statements in 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 and cash equivalent accounts, including accounts subjected to withdrawal restrictions and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

Restricted Assets

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

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

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. The allowance at June 30, 2017 and 2016 was \$-0-.

Investment of Funds

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

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.

Inventories and Prepaid Expenses

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets are those assets with a cost in excess of \$250 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:

Revenue vehicles and equipment	4 to 15 years
Furniture and office equipment	3 to 10 years
Miscellaneous revenue 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 from the accounts.

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

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended June 30, 2017 and 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.

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.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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

Net Position

Net position is classified into three categories as follows:

Investment in capital assets consist of capital assets, net of accumulated depreciation.

Restricted net position are amounts that have externally imposed restrictions on how the funds can be spent. The Authority had no restricted amounts as of June 30, 2017 or 2016.

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

Capital Grants

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

Advertising Costs

Advertising costs are expensed as incurred.

Employee Benefits

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

Postemployment Benefits

The Authority provides for one-half of the health insurance premiums for retired employees ages 62 through 64. The Authority funds postemployment benefits as they are incurred.

Recent Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement amends financial accounting and reporting requirements for sponsors (employers) of OPEB plans. GASB Statement No. 75 is effective for periods beginning after June 15, 2017.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for periods beginning after December 15, 2019.

The Authority is currently evaluating what effect the adoption of these statements will have on its financial statements.

Note 3 - Budget Matters

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

Note 4 - Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Provisions

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

Note 5 - Cash and Cash Equivalents

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, 2017 and 2016, the carrying amount of the Authority's bank deposits were \$14,527,366 and \$12,157,339, respectively, and the corresponding bank balances were \$14,896,904 and \$11,977,369, respectively, of which \$14,646,904 and \$11,477,369, respectively, were 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. The Authority has \$120 and \$-0- of cash on hand and petty cash at June 30, 2017 and 2016, respectively.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 6 - Restricted Cash

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

	<u>2017</u>	<u>2016</u>
Unearned Commonwealth of Pennsylvania Act 44 Funds	\$ 14,527,366	\$ 11,755,773

At June 30, 2017, the Authority had utilized \$1,382,380 of grant funds on operations, which are returned to the restricted account upon receipt of the state share of those projects.

Note 7 - Inventory

As of June 30, 2017 and 2016, inventory in the amount of \$972,192 and \$688,757, respectively, consisted entirely of parts and supplies.

Note 8 - Operating and Planning Grants Receivable

Operating and planning grant receivable balances due from the federal government as of June 30, 2017 and 2016 were \$62,758 and \$28,978, respectively.

Note 9 - Capital Grants Receivable

Capital grant receivable balances are as follows at June 30:

	<u>2017</u>	<u>2016</u>
Federal government	\$ -	\$ 5,421
Commonwealth of Pennsylvania	<u>83,657</u>	<u>88,797</u>
	<u>\$ 83,657</u>	<u>\$ 94,218</u>

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 10 - Capital Assets

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Being Depreciated				
Revenue vehicles and equipment	\$ 3,402,360	\$ 3,125,046	\$ 41,470	\$ 6,485,936
Furniture and office equipment	101,862	183,784	206	285,440
Miscellaneous revenue equipment	49,563	437,557	218	486,902
Total Capital Assets Being Depreciated	3,553,785	3,746,387	41,894	7,258,278
Accumulated Depreciation				
Revenue vehicles and equipment	116,183	544,423	-	660,606
Furniture and office equipment	5,508	32,899	-	38,407
Miscellaneous revenue equipment	1,016	25,575	-	26,591
Accumulated Depreciation	122,707	602,897	-	725,604
Capital Assets Being Depreciated, Net	\$ 3,431,078	\$ 3,143,490	\$ 41,894	\$ 6,532,674
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Being Depreciated				
Revenue vehicles and equipment	\$ -	\$ 3,402,360	\$ -	\$ 3,402,360
Furniture and office equipment	-	101,862	-	101,862
Miscellaneous revenue equipment	-	49,563	-	49,563
Total Capital Assets Being Depreciated	-	3,553,785	-	3,553,785
Accumulated Depreciation				
Revenue vehicles and equipment	-	116,183	-	116,183
Furniture and office equipment	-	5,508	-	5,508
Miscellaneous revenue equipment	-	1,016	-	1,016
Accumulated Depreciation	-	122,707	-	122,707
Capital Assets Being Depreciated, Net	\$ -	\$ 3,431,078	\$ -	\$ 3,431,078

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 11 - 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 Act 44 replaces state operating grants, the State Senior Citizens Program Grant, and dedicated tax revenues under Act 26 and Act 3. Funding under Act 44, as amended by Act 89, 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 years ended June 30:

	<u>2017</u>	<u>2016</u>
Balance, Beginning of Year	\$ 11,755,773	\$ -
Funds received - state	15,279,717	14,888,918
Interest earned	7,200	-
	<u>27,042,690</u>	<u>14,888,918</u>
Total Available	27,042,690	14,888,918
Funds expended - Lancaster County	(5,423,550)	(482,583)
Funds expended - Berks County	(5,781,591)	(2,650,562)
	<u>(11,205,141)</u>	<u>(3,133,145)</u>
Balance, End of Year	\$ 15,837,549	\$ 11,755,773

Note 12 - South Central Transit Authority Pension Plan

Plan Description

The South Central Transit Authority Pension Plan (the Plan) is a single-employer defined benefit pension plan administered by the Authority. A full-time non-union employee becomes a participant in the Plan on the July 1 after completion of one year of service.

Prior to July 1, 2015, the Plan was administered by Red Rose Transit Authority. On January 1, 2015, all salaried employees transferred from Red Rose Transit Authority to South Central Transit Authority. Effective July 1, 2015, the related pension assets and liability for this plan also transferred to South Central Transit Authority.

Benefits Accrued for Service Prior to January 1, 2015

Benefits Provided

Normal Retirement

A participant is eligible for normal retirement after attainment of age 65 and completion of ten years of vesting service.

The normal retirement pension is payable monthly during the participant's lifetime, with payments ceasing upon the participant's death.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - South Central Transit Authority Pension Plan (continued)

Benefits Accrued for Service Prior to January 1, 2015 (continued)

Benefits Provided (continued)

Normal Retirement (continued)

The amount of monthly pension is equal to 60% of average monthly compensation, less 83-1/3% of Primary Social Security, prorated if the member has less than 15 years of benefit service at the normal retirement date.

Average monthly compensation is based upon the five consecutive plan years of highest compensation out of the last ten years preceding retirement.

Late Retirement

If a participant continues working after their normal retirement date, the participant's pension does not start until the participant actually retires. The monthly late retirement pension is equal to the greater of the actuarial equivalent of the retirement benefit determined as of the preceding plan year or the benefit determined by the normal retirement pension formula.

Early Retirement

A participant is eligible for early retirement after attainment of age 55 and completion of ten years of vesting service. The early retirement pension is equal to the benefit accrued to the date of early retirement, reduced 5/9 of 1% for each of the first 60 months early and 5/18 of 1% for each month early in excess of 60 months.

Disability Retirement

For active members with a service related disability, a disability pension is payable equal to 50% of average monthly compensation. The disability benefit is reduced by workers' compensation benefits, or insurance benefits provided by the employer that are received by the member.

For active members with a non-service related disability after ten or more years of vesting service, the disability benefit is equal to 30% of average monthly compensation.

Death Benefits

The death benefit for a participant who has been married at least one year and is eligible for normal retirement or early retirement is a survivor pension for the participant's spouse equal to 50% of the actuarially reduced pension the participant would have been entitled to if the participant had retired on the day before death and elected a joint and 50% survivor pension.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - South Central Transit Authority Pension Plan (continued)

Benefits Accrued for Service after January 1, 2015

Benefits Provided

Normal Retirement

A participant is eligible for normal retirement after attainment of age 60.

The normal retirement pension is payable monthly during the participant's lifetime, with payments ceasing upon the participant's death.

The amount of monthly pension is equal to 1.67% of average monthly compensation multiplied by the number of years of benefit service completed by the member after January 1, 2015.

Late Retirement

If a participant continues working after their normal retirement date, the participant's pension does not start until the participant actually retires. The late retirement pension is equal to the benefit accrued to the late retirement date.

Early Retirement

A participant is eligible for early retirement after attainment of age 55 and completion of ten years of vesting service. The early retirement pension is equal to the benefit accrued to the date of early retirement, reduced 5/9 of 1% for each of the first 60 months early and 5/18 of 1% for each month early in excess of 60 months.

Disability Retirement

For active members with a service related disability, a disability pension is payable equal to 50% of average monthly compensation. The disability benefit is reduced by workers' compensation benefits, or insurance benefits provided by the employer that are received by the member.

For active members with a non-service related disability after ten or more years of vesting service, the disability benefit is equal to 30% of average monthly compensation.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - South Central Transit Authority Pension Plan (continued)

Benefits Accrued for Service after January 1, 2015 (continued)

Benefits Provided (continued)

Death Benefits

The death benefit for a participant who has been married at least one year and is eligible for normal retirement or early retirement is a survivor pension for the participant's spouse equal to 50% of the actuarially reduced pension the participant would have been entitled to if the participant had retired on the day before death and elected a joint and 50% survivor pension.

Employees Covered by Benefit Terms

Inactive members or beneficiaries currently receiving benefits	16
Inactive members entitled to, but not yet receiving benefits	8
Active members	<u>40</u>
Total Members	<u><u>64</u></u>

Contributions

The employer pays the full cost of the Plan. Member contributions are not required.

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

At June 30, 2017, the Authority reported a liability of \$407,003 for its net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2015. For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of \$297,305 and \$171,870, respectively. The Authority reported deferred outflows of resources related to the South Central Transit Authority Pension Plan from the following source at June 30:

	<u>2017</u>	<u>2016</u>
Deferred Outflows of Resources		
Differences between projected and actual earnings on pension plan investments	\$ 77,057	\$ 102,743
Differences between expected and actual experience	<u>7,158</u>	<u>8,948</u>
	<u>\$ 84,215</u>	<u>\$ 111,691</u>
Deferred Inflows of Resources		
Differences between projected and actual earnings on pension plan investments	<u>\$ (36,028)</u>	<u>\$ -</u>

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - South Central Transit Authority Pension Plan (continued)

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

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$	18,468
2019		18,468
2020		18,468
2021		(7,217)

Actuarial Assumptions

The total pension liability in the July 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	7.50

Mortality rates were based on the RP-2000 table for males and females, which does not include projected mortality improvements.

The actuarial assumptions used in the July 1, 2015 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 June 30, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	50.00 %	5.50 - 7.50 %
International equity	8.00	4.50 - 6.50
Fixed income	40.00	1.00 - 3.00
Cash	2.00	0.00 - 1.00

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - South Central Transit Authority Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984 (Act 205). Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2015	\$ -	\$ -	\$ -
Service cost	133,502	-	133,502
Interest cost	170,647	-	170,647
Changes for experience	10,738	-	10,738
Changes of benefit terms	(56,160)	-	(56,160)
Contributions - employer	-	138,252	(138,252)
Net investment income	-	26,572	(26,572)
Benefit payments, including refunds of member contributions	(84,763)	(84,763)	-
Transfer from Red Rose Transit Authority	2,229,601	2,039,941	189,660
Net Changes	2,403,565	2,120,002	283,563
Balance at June 30, 2016	2,403,565	2,120,002	283,563
Service cost	140,177	-	140,177
Interest cost	187,530	-	187,530
Changes for experience	-	-	-
Changes of benefit terms	-	-	-
Contributions - employer	-	30,146	(30,146)
Net investment income	-	200,911	(200,911)
Benefit payments, including refunds of member contributions	(86,673)	(86,673)	-
Administrative expense	-	(26,790)	26,790
Transfer from Red Rose Transit Authority	-	-	-
Net Changes	241,034	117,594	123,440
Balance at June 30, 2017	\$ 2,644,599	\$ 2,237,596	\$ 407,003

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 12 - South Central Transit Authority Pension Plan (continued)

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 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability	\$ 640,009	\$ 407,003	\$ 205,088

Note 13 - Postemployment Benefits Other than Pensions

Upon normal or early retirement, the Authority provides postemployment benefits for employees who are age 62, have completed 15 years of service and were hired by either Berks Area Regional Transportation Authority or Red Rose Transit Authority prior to January 1, 2015.

South Central Transit Authority pays 50% of the health insurance premiums for the member only from ages 62 through 64. During this time, the member must pay the remaining premium, as well as any additional premium to cover dependents. Upon the member attaining age 65 or the death of the member, all coverage ceases. Additionally, upon the spouse attaining age 65, coverage for the spouse ceases.

The Authority will also pay a death benefit, with a face value of \$6,000.

Funding Policy and Annual OPEB Cost

The Authority currently funds other postemployment benefit (OPEB) costs as they occur. For the years ended June 30, 2017 and 2016, the Authority incurred \$2,239 and \$16,014, respectively, in OPEB costs for current premiums. Plan members receiving benefits contributed \$2,239 and \$7,590 or approximately 50% and 47% of the total premiums through their required contributions for the years ended June 30, 2017 and 2016, respectively.

The Authority's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Authority's annual OPEB cost for the current year and the related information is as follows:

Annual required contribution	\$ 16,982
Adjustment to the annual required contribution	(1,152)
Interest on net OPEB obligation	<u>844</u>
Annual OPEB cost	16,674

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 13 - Postemployment Benefits Other than Pensions (continued)**Funding Policy and Annual OPEB Cost (continued)**

Contributions made	<u>(2,239)</u>
Increase in net OPEB obligation	14,435
Net OPEB Obligation at Beginning of Year	<u>16,944</u>
Net OPEB Obligation at End of Year	<u><u>\$ 31,379</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the plan were as follows for the year ended June 30, 2017:

Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Liability
6/30/17	\$ 16,982	13.8%	\$ 31,379
6/30/16	25,368	33.2%	16,944

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation, was as follows:

Number of participants covered, active	<u>44</u>
Actuarial present value at attained age (APVAA)	<u>\$ 217,881</u>
Actuarial accrued liability (AAL)	\$ 137,018
Actuarial value of assets (AVA)	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 137,018</u>
Funded ratio	<u>0%</u>
Covered payroll	<u>\$ 2,217,917</u>
Unfunded actuarial accrued liability as a percentage of covered payroll	<u>6.18%</u>

Note 13 - Postemployment Benefits Other than Pensions (continued)

Funded Status and Funding Progress (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as supplementary information provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial Valuation Date	January 1, 2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level annual dollar amount
Remaining Amortization Period	30 year open period
Asset Valuation Method	Market value
Actuarial Assumptions	
Investment rate of return	4.50% per annum
Projected salary increases	5.00% per annum
Healthcare Inflation Rate	6.0% in 2015, 5.5% in 2016 through 2020. Rates gradually decreasing from 5.4% in 2021 to 3.8% in 2075 and later.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 14 - Risk Management

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

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance (SAFTI) Property and 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 and Liability Pool for its property; general liability; automobile liability; automobile physical damage; crime, boiler, and machinery, and public officials' errors and omissions insurance coverage. The agreement for formation of the SAFTI Property and Liability Pool provides that the SAFTI Property and 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 contributions are not sufficient to fund operations or obligations of the SAFTI Property and Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Property and Liability Pool and charged to operations during the years ended June 30, 2017 and 2016 amounted to \$109,728 and \$77,182, respectively.

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 years ended June 30, 2017 and 2016 amounted to \$5,214 and \$6,177, respectively.

The Authority carries commercial insurance for other risks, including employee benefits.

For the years ended June 30, 2017 and 2016, claims settled were not in excess of insurance coverage. In addition, settled claims have not exceeded the insurance coverage purchased for the years ended June 30, 2017, 2016, and 2015.

Note 15 - Advertising

Advertising costs included in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016 were \$242,223 and \$218,600, respectively.

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 16 - Commitment and Contingencies

Commitment

Fuel

The Authority has entered into an agreement to purchase bio-diesel at a fixed price of \$1.5055 for the period of April 1, 2017 through March 31, 2018.

The Authority has also entered into an agreement to purchase gasoline at a fixed price of \$1.3214 for the period of April 1, 2017 through March 31, 2018.

Capital Purchases

The Authority has made commitments at June 30, 2016 of approximately \$7,152,000 for the purchase of eight electric hybrid buses, intermodal facilities improvements, and various other capital expenditures.

Parking Lot Lease

The Authority leases a parking lot for the park and ride program on behalf of Red Rose Transit Authority. The lease term is for one year, with the option to extend for an additional four years. Under the terms of the lease, monthly payments of \$900 are due through June 30, 2018. The future minimum rental commitment totaled \$10,800 as of June 30, 2017.

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.

Capital Assets

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

Audit

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

Unemployment Compensation

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

South Central Transit Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 17 - Management Agreement

The Authority then entered into a subcontract agreement with RRTA and BARTA which took 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 Lancaster and Berks Counties. 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 Counties of Berks and Lancaster and as a result, South Central Transit Authority may purchase vehicles, supplies, and services needed to provide the contracted transportation services. Funding for these transportation services for the years ended June 30, 2017 and 2016 totaled \$16,023,286 and \$6,457,071, respectively.

Note 18 - Reclassification of 2016 Financial Statements

Certain items on the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

Note 19 - Subsequent Events

The Authority has evaluated subsequent events through December 4, 2017. This date is the date the financial statements were available to be issued. No events subsequent to June 30, 2017 were noted.

South Central Transit Authority

Schedule of Changes in Net Pension Liability and Related Ratios Last Ten Fiscal Years*

	Years Ended June 30,	
	2017	2016
Total Pension Liability		
Service cost	\$ 140,177	\$ 133,502
Interest	187,530	170,647
Benefit payments, including refunds of member contributions	(86,673)	(84,763)
Changes of benefit terms	-	(56,160)
Changes for experience	-	10,738
Transfer of liability from Red Rose Transit Authority	-	2,229,601
	<u>241,034</u>	<u>2,403,565</u>
Net Change in Total Pension Liability	241,034	2,403,565
Total Pension Liability, Beginning	2,403,565	-
Total Pension Liability, Ending	\$ 2,644,599	\$ 2,403,565
Plan Fiduciary Net Position		
Contributions - employer	\$ 30,146	\$ 138,252
Contributions - member	-	-
Net investment income	200,911	26,572
Benefit payments, including refunds of member contributions	(86,673)	(84,763)
Administrative expense	(26,790)	-
Transfer of assets from Red Rose Transit Authority	-	2,039,941
	<u>117,594</u>	<u>2,120,002</u>
Net Change in Plan Fiduciary Net Position	117,594	2,120,002
Plan Net Position, Beginning	2,120,002	-
Plan Net Position, Ending	\$ 2,237,596	\$ 2,120,002
Authority's Net Pension Liability	\$ 407,003	\$ 283,563
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.6%	88.2%
Covered Employee Payroll	\$ 2,525,447	\$ 2,067,570
Authority's Net Pension Liability as a Percentage of Covered Employee Payroll	16.1%	13.7%

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

South Central Transit Authority

Schedule of Pension Contributions - Salaried Employees' Pension Plan Last Ten Fiscal Years*

Years	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2017	\$ 30,146	\$ 30,146	\$ -	\$ 2,525,447	1.19 %
2016	138,252	138,252	-	2,067,570	6.69

Actuarial Methods and Assumptions

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial Valuation Date	7/1/2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	13 years
Asset Valuation Method	Market value of assets as determined by the trustee
Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	7.50%
Retirement Age	Attainment of age 60
Mortality	RP2000 Table - This table does not include projected mortality improvements.

There have been no changes in the benefit terms since January 1, 2015. Effective July 1, 2015, the pension liability and related expenses transferred to South Central Transit Authority from Red Rose Transit Authority.

* Only two years available.

South Central Transit Authority

Schedule of Funding Progress - Post-Employment Benefits Other than Pensions

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ -	\$ 137,018	\$ 137,018	- %	\$ 2,217,917	6.2 %

South Central Transit Authority

Schedule of LEG - Fixed Route Urban Expenses - FY 16-17

Year Ended June 30, 2017

Operating Expenses	Vehicle Operation	Maintenance	General Admin	Totals
1. Operators' Salaries & Wages	\$ -	\$ -	\$ -	\$ -
2. Other Salaries & Wages	560,270	264,456	584,956	1,409,682
3. Fringe Benefits	-	-	847,467	847,467
4. Services	-	500,268	138,922	639,190
5. Fuel & Lubricants	1,079,576	-	-	1,079,576
6. Tires & Tubes	-	156,992	-	156,992
7. Other Materials & Supplies	-	1,250,845	112,338	1,363,183
8. Utilities	-	-	361,717	361,717
9. Casualty & Liability Costs	-	-	82,945	82,945
10. Taxes	-	-	-	-
11. Purchased Transportation	11,254,475	1,821,711	-	13,076,186
12. Miscellaneous Expenses	-	-	333,221	333,221
13. Total System Expenses	\$ 12,894,321	\$ 3,994,272	\$ 2,461,566	19,350,159
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				19,350,159
Non-Applied Reconciling Items				
23. Depreciation (publicly funded assets only)				482,318
24. Other Post Employment Benefits (OPEB)				14,435
25. Other Reconciling Items Identify: Pension				110,297
Identify: Release of Restricted Funds				-
26. Total Non-Applied Reconciling Items				607,050
27. Total Operating Expenses per Audit				\$ 19,957,209

South Central Transit Authority

Schedule of LEG - Non-Fixed Route ADA Paratransit Expenses - Urban - FY 16-17
 Year Ended June 30, 2017

Operating Expenses	Vehicle Operation	Maintenance	General Admin	Totals
1. Operators' Salaries & Wages	\$ -	\$ -	\$ -	\$ -
2. Other Salaries & Wages	-	-	56,067	56,067
3. Fringe Benefits	-	-	37,956	37,956
4. Services	-	-	9,530	9,530
5. Fuel & Lubricants	13,859	-	-	13,859
6. Tires & Tubes	3,104	-	-	3,104
7. Other Materials & Supplies	-	-	10,945	10,945
8. Utilities	-	-	7,057	7,057
9. Casualty & Liability Costs	-	-	1,745	1,745
10. Taxes	-	-	-	-
11. Purchased Transportation	588,499	87,368	150,874	826,741
12. Miscellaneous Expenses	-	-	1,323	1,323
13. Total System Expenses	\$ 605,462	\$ 87,368	\$ 275,497	968,327
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				968,327
Non-Applied Reconciling Items				
23. Depreciation (publicly funded assets only)				-
24. Other Post Employment Benefits (OPEB)				-
25. Other Reconciling Items Identify				-
26. Total Non-Applied Reconciling Items				-
27. Total Operating Expenses per Audit				\$ 968,327

South Central Transit Authority

Schedule of LEG - Non-Fixed Route Shared Ride Expenses - Urban Standard - FY 16-17
 Year Ended June 30, 2017

Operating Expenses	Vehicle Operation	Maintenance	General Admin	Totals
1. Operators' Salaries & Wages	\$ -	\$ -	\$ -	\$ -
2. Other Salaries & Wages	-	-	729,012	729,012
3. Fringe Benefits	-	-	493,526	493,526
4. Services	-	-	123,919	123,919
5. Fuel & Lubricants	-	-	-	-
6. Tires & Tubes	180,204	-	-	180,204
7. Other Materials & Supplies	40,361	-	142,317	182,678
8. Utilities	-	-	91,755	91,755
9. Casualty & Liability Costs	-	-	22,695	22,695
10. Taxes	-	-	-	-
11. Purchased Transportation	6,175,384	912,414	1,719,588	8,807,386
12. Miscellaneous Expenses	-	-	17,179	17,179
13. Total System Expenses	\$ 6,395,949	\$ 912,414	\$ 3,339,991	10,648,354
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				10,648,354
Non-Applied Reconciling Items				
23. Depreciation (publicly funded assets only)				120,579
24. Other Post Employment Benefits (OPEB)				-
25. Other Reconciling Items Identify: Pension				76,647
Identify: Copays				(377,787)
Identify: Rounding				382
26. Total Non-Applied Reconciling Items				(180,179)
27. Total Operating Expenses per Audit				\$ 10,468,175

South Central Transit Authority

Schedule of LEG - Non-Public Expenses - Other Transportation - FY 16-17
 Year Ended June 30, 2017

<u>Operating Expenses</u>	<u>Non-Shared Ride Paratransit</u>	<u>MATP Non-Shared Ride Paratransit</u>	<u>MATP Mileage Reimbursement</u>	<u>Other (Identify Above)</u>	<u>Totals</u>
1. Operators' Salaries & Wages	\$ -	\$ -	\$ -	\$ -	\$ -
2. Other Salaries & Wages	-	58,056	-	11,302	69,358
3. Fringe Benefits	-	39,303	-	7,651	46,954
4. Services	-	9,868	-	1,921	11,789
5. Fuel & Lubricants	-	14,351	-	2,794	17,145
6. Tires & Tubes	-	3,214	-	626	3,840
7. Other Materials & Supplies	-	11,334	-	2,206	13,540
8. Utilities	-	7,307	-	1,422	8,729
9. Casualty & Liability Costs	-	1,807	-	352	2,159
10. Taxes	-	-	-	-	-
11. Purchased Transportation	-	884,178	-	203,173	1,087,351
12. Miscellaneous Expenses	-	1,368	-	267	1,635
13. Mileage Reimbursement	-	-	70,742	-	70,742
14. MATP - Non-Public Service Admin Reimb.	-	-	14,757	-	14,757
15. Total System Expenses	\$ -	\$ 1,030,786	\$ 85,499	\$ 231,714	1,347,999
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					1,347,999
Non-Applied Reconciling Items					
25. Depreciation (publicly funded assets only)					-
26. Other Post Employment Benefits (OPEB)					-
27. Other Reconciling Items Identify					-
28. Total Non-Applied Reconciling Items					-
29. Total Operating Expenses per Audit					\$ 1,347,999

South Central Transit Authority

Reconciliation of Operating Expenses to Financial Statements Prepared under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2017

Operating expenses reported on Schedule of LEG - Fixed Route Urban Expenses - FY 16-17	\$ 19,957,209
Operating expenses reported on Schedule of LEG - Non-Fixed Route ADA Paratransit Expenses - Urban - FY 16-17	968,327
Operating expenses reported on Schedule of LEG - Non-Fixed Route Shared Ride Expenses - Urban Standard - FY 16-17	10,468,175
Operating expenses reported on Schedule of LEG - Non-Public Expenses - Other Transportation - FY 16-17	<u>1,347,999</u>
Total Operating Expenses per Schedules	32,741,710
Reconciling Item	
Rounding	<u>(9)</u>
Operating Expenses Reported on the Statement of Revenues, Expenses, and Changes in Net Position	<u><u>\$ 32,741,701</u></u>

South Central Transit Authority

Schedule of LEG - Fixed Route Revenues - FY 16-17

Year Ended June 30, 2017

	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
Transportation Revenues			
1. Passenger Fares	\$ 6,555,792	\$ -	\$ 6,555,792
2. Advertising	213,322	-	213,322
3. Charter	-	-	-
4. Route Guarantees	-	-	-
Other Revenue			
5. Identify: Concessions/Interest	4,212	-	4,212
6. Identify: PG & Lease Income	567,340	-	567,340
7. Identify: Other Misc Income	190,543	-	190,543
8. Total Revenue	<u>7,531,209</u>	<u>-</u>	<u>7,531,209</u>
Non-Applied Reconciling Items			
9. Interest/Investment Income	-	-	-
10. Identify: Gain on Disposal of Capital Assets	-	-	-
11. Identify	-	-	-
12. Total Non-Applied Reconciling Items	<u>-</u>	<u>-</u>	<u>-</u>
13. Total Revenue per Audit	<u>\$ 7,531,209</u>	<u>\$ -</u>	<u>\$ 7,531,209</u>

South Central Transit Authority

Schedule of LEG - Non-Fixed Route Revenues - Urban - FY 16-17
 Year Ended June 30, 2017

	ADA	Shared Ride 65+		Shared Ride Under 65		Public	Total
	Paratransit	Standard	DAS*	Standard	DAS*	Vanpool	
Transportation Revenues							
1. Passenger Fares	\$ 141,855	\$ 288,185	\$ -	\$ 24,285	\$ -	\$ -	\$ 454,325
2. Advertising	-	-	-	-	-	-	-
3. Shared-Ride Lottery Trip Reimbursement	-	3,536,255	-	-	-	-	3,536,255
4. PwD Trip Reimbursement	-	-	-	350,782	-	-	350,782
5. PwD Passenger Fares	-	-	-	62,531	-	-	62,531
6. AAA	-	212,245	-	148,040	-	-	360,285
7. MH/MR - Shared Ride Fare Structure	-	13,984	-	842,749	-	-	856,733
8. W2W - Shared Ride Fare Structure	-	-	-	-	-	-	-
9. MATP - Shared Ride Fare Structure	-	-	-	-	-	-	-
Other Agencies/Third Party Sponsors	-	202,156	-	3,878,404	-	-	4,080,560
10. Identify: Other Agencies	-	62,696	-	1,095,667	-	-	1,158,363
11. Identify	-	-	-	-	-	-	-
Other Revenue							
MATP							
12. Admin Reimbursement for MATP Shared Ride Fare Structure	-	-	-	-	-	-	-
Other (i.e. Block Grant)							
13. Identify: Misc Income	-	-	-	24,662	-	-	24,662
14. Identify	-	-	-	-	-	-	-
15. Identify	-	-	-	-	-	-	-
16. Interest/Investment Income	-	-	-	-	-	-	-
17. Total Revenue	141,855	4,315,521	-	6,427,120	-	-	10,884,496
Non-Applied Reconciling Items							
18. Identify: Shared Ride Co-Pays Netted	-	-	-	(377,787)	-	-	(377,787)
19. Identify: Rounding	-	-	-	-	-	-	-
20. Total Non-Applied Reconciling Items	-	-	-	(377,787)	-	-	(377,787)
21. Total Revenue per Audit	\$ 141,855	\$ 4,315,521	\$ -	\$ 6,049,333	\$ -	\$ -	\$ 10,506,709

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

South Central Transit Authority

Schedule of LEG - Non-Public Revenues - Other Transportation - FY 16-17
Year Ended June 30, 2017

Contract Revenue

Agency/Sponsor

1. MATP - Contract Rate Paratransit Revenue	\$	855,791
2. W2W - Contract Rate Paratransit Revenue		-
Other Contract Rate Paratransit Revenue		
3. Identify: JARC - ATJ		166,597
4. Identify: MATP Bus Fare Reimb.		99,901
5. Identify: BH/DS/EI FR Bus Passes		2,696

Other Revenue

6. MATP - Mileage Reimbursement		86,140
7. W2W - Other (i.e. vehicle purchase/repair, fixed-route fares)		58,434
8. Identify: Add'l Sec 1513 to Balance SR		78,440

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 1,347,999

Non-Applied Reconciling Items

14. Identify		-
15. Identify		-

16. Total Non-Applied Reconciling Items -

17. Total Revenue per Audit \$ 1,347,999

South Central Transit Authority

Reconciliation of Operating Revenues to Financial Statements Prepared Under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2017

Operating revenues reported on Schedule of LEG - Fixed Route Revenues - FY 16-17	\$ 7,531,209
Operating revenues reported on Schedule of LEG - Non-Fixed Route Revenues - Urban - FY 16-17	10,506,709
Operating revenues reported on Schedule of LEG - Non-Public Revenues - Other Transportation - FY 16-17	<u>1,347,999</u>
Total Operating Revenues per Schedules	<u>19,385,917</u>
Reconciling Items	
Senior citizen fixed route passenger fares in subsidy	(1,520,900)
Rounding	<u>(9)</u>
	<u>(1,520,909)</u>
Operating Revenues Reported on the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 17,865,008</u>

South Central Transit Authority

Schedule of LEG - Fixed Route Subsidies - FY 16-17

Year Ended June 30, 2017

	Fixed Route Urban	Fixed Route Rural	Total
1. Federal Operating Grant	\$ 2,300,000	\$ -	\$ 2,300,000
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. Subtotal Federal Subsidy	2,300,000	-	2,300,000
7. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - State Share	9,518,950	-	9,518,950
8. Act 44 Section 1513 Operating Grant Amount Charged - Current Year - State Share	-	-	-
9. Act 3 ASG Grant Amount Charged - State Share	-	-	-
10. Act 3 BSG Grant Amount Charged - State Share	-	-	-
11. Special Operating Grants - State Share Identify: Prior Year Act 44 RRTA & BARTA	-	-	-
12. Subtotal State Subsidy	9,518,950	-	9,518,950
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	-	-	-
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	-	-	-
21. Grand Total Subsidy	11,818,950	-	11,818,950
Non-Applied Reconciling Items			
22. Identify: Federal	-	-	-
23. Identify: State	-	-	-
24. Identify: Local	-	-	-
25. Total Non-Applied Reconciling Items	-	-	-
26. Grand Total Subsidy per Audit	\$ 11,818,950	\$ -	\$ 11,818,950

* Local match from municipal sources must be expanded the year it is received except for transit systems providing 15% match.

** Advertising revenue is only available as a local match if a municipality has agreed by resolution to offset any shortfall in advertising which results in insufficient local match funds. The use of advertising as local match reduces revenue available for operations and may reduce level of service or require fare increases.

South Central Transit Authority

Schedule of LEG - Non-Fixed Route Subsidies - Urban - FY 16-17
 Year Ended June 30, 2017

	ADA	Shared Ride		Public	Total
	Paratransit	Standard	DAS*	Vanpool	
Subsidy					
1. Federal Operating Grant	\$ 661,181	\$ -	\$ -	\$ -	\$ 661,181
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	661,181	-	-	-	661,181
8. Act 44 Section 1513 Operating Grant Amount Charged - Prior Years - State Share	165,291	-	-	-	165,291
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 Special Operating Grants - State Share	-	-	-	-	-
12. Identify	-	-	-	-	-
13. State Shared Ride Subsidy Identify: Prior year Act 44 RRTA & BARTA	-	-	-	-	-
14. Subtotal State Subsidy	165,291	-	-	-	165,291
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	-	-	-	-	-
22. Local Shared Ride Subsidy Identify	-	-	-	-	-
23. Subtotal Local Subsidy	-	-	-	-	-
24. Grand Total Subsidy	826,472	-	-	-	826,472
Non-Applied Reconciling Items					
25. Identify: Federal	-	-	-	-	-
26. Identify: State	-	-	-	-	-
27. Identify: Local	-	-	-	-	-
28. Total Non-Applied Reconciling Items	-	-	-	-	-
29. Grand Total Subsidy per Audit	\$ 826,472	\$ -	\$ -	\$ -	\$ 826,472

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

** Local match from municipal sources must be expended the year it is received except for transit systems providing 15% match.

*** Advertising revenue is only available as a local match if a municipality has agreed by resolution to offset any shortfall in advertising which results in insufficient local match funds. The use of advertising as local match reduces revenue available for operations and may reduce level of service or require fare increases.

South Central Transit Authority

Reconciliation of Reported Subsidies to Financial Statements Prepared under Accounting
Principles Generally Accepted in the United States of America
Year Ended June 30, 2017

Subsidies Reported on Schedule of LEG - Fixed Route Subsidies - FY 16-17	\$ 11,818,950
Subsidies Reported on Schedule of LEG - Non-Fixed Route Subsidies - Urban - FY 16-17	<u>826,472</u>
Total Subsidies per Schedules	<u>12,645,422</u>
Reconciling Items	
Senior citizen fixed route passenger fares in subsidy	<u>1,520,900</u>
	<u>\$ 14,166,322</u>
Per Financial Statements	
Capital funds used for operating assistance and planning grants - Federal government	\$ 2,300,000
Operating grants - Federal government	661,181
Operating grants - State government	<u>11,205,141</u>
Subsidies Reported on the Statement of Revenues, Expenses, and Changes in Net Position	<u>\$ 14,166,322</u>

South Central Transit Authority

Schedule of LEG - Budget Summary - FY 16-17
 Year Ended June 30, 2017

	Fixed Route		Non-Fixed Route								Non-Public Other Transportation	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	\$ 19,350,159	\$ -	\$ 968,327	\$ -	\$ 10,648,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,347,999	\$ 32,314,839
2. Total Revenue	7,531,209	-	141,855	-	10,742,641	-	-	-	-	-	-	1,347,999	19,763,704
3. Operating Deficit	(11,818,950)	-	(826,472)	-	94,287	-	-	-	-	-	-	-	(12,551,135)
4. Grand Total Subsidy	11,818,950	-	826,472	-	-	-	-	-	-	-	-	-	12,645,422
5. Applied Operating Result	-	-	-	-	94,287	-	-	-	-	-	-	-	94,287
Non-Applied Reconciling Items													
6. Total Non-Applied Reconciling Expense Items	607,050	-	-	-	(180,179)	-	-	-	-	-	-	-	426,871
7. Total Non-Applied Reconciling Revenue Items	-	-	(377,787)	-	-	-	-	-	-	-	-	-	(377,787)
8. Total Non-Applied Reconciling Subsidy Items	-	-	-	-	-	-	-	-	-	-	-	-	-
9. Operating Result per Audit	\$ (607,050)	\$ -	\$ (377,787)	\$ -	\$ 274,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (710,371)

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

South Central Transit Authority

Schedule S5 - Section 1513 Program Carryover - FY 16-17
Year Ended June 30, 2017

	State Grant	Local Match	Total
A. FY 2016-17 Section 1513 URBAN Grant Agreement	\$ 15,279,717	\$ -	\$ 15,279,717
Urban Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2017			
1. Section 1513 fund balance as of June 30, 2016	\$ 11,755,773	\$ -	\$ 11,755,773
2. Section 1513 funds received for FY 2017	15,279,717	-	15,279,717
3. PTAF Section 1513 funds received for FY 2017 (applicable to SEPTA and PAAC)	-	-	-
4. Total Section 1513 funds received for FY 2017 (Line 2+3, must agree with A above)	15,279,717	-	15,279,717
5. Interest income earned on Section 1513 funds in FY 2017	7,200	-	7,200
6. Total Section 1513 funds available in FY 2017 (Line 1+4+5)	27,042,690	-	27,042,690
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2017	11,039,850	-	11,039,850
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2017	165,291	-	165,291
9. Section 1513 funds used for Rural fixed route operating expenses in FY 2017	-	-	-
10. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2017	-	-	-
11. Section 1513 funds used for Urban capital costs in FY 2017 (waiver required)	-	-	-
12. Section 1513 funds used for Rural capital costs in FY 2017 (waiver required)	-	-	-
13. Total Section 513 used in FY 2017 (Line 7+8+9+10+11+12)	11,205,141	-	11,205,141
14. Section 1513 Fund Balance as of June 30, 2017 (Line 6-13)	\$ 15,837,549	\$ -	\$ 15,837,549
B. FY 2016-17 Section 1513 RURAL Grant Agreement	\$ -	\$ -	\$ -
Rural Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2017			
15. Section 1513 fund balance as of June 30, 2016	\$ -	\$ -	\$ -
16. Section 1513 funds received for FY 2017 (must agree with B above)	-	-	-
17. Interest income earned on Section 1513 funds in FY 2017	-	-	-
18. Total Section 1513 funds available in FY 2017 (Line 15+16+17)	-	-	-
19. Section 1513 funds used for Rural fixed route operating expenses in FY 2017	-	-	-
20. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2017	-	-	-
21. Section 1513 funds used for Urban fixed route operating expenses in FY 2017	-	-	-
22. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2017	-	-	-
23. Section 1513 funds used for Rural capital costs in FY 2017 (waiver required)	-	-	-
24. Section 1513 funds used for Urban capital costs in FY 2017 (waiver required)	-	-	-
25. Total Section 513 used in FY 2017 (Line 19+20+21+22+23+24)	-	-	-
26. Section 1513 Fund Balance as of June 30, 2017 (Line 18-25)	\$ -	\$ -	\$ -
C. Total Agency Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2017			
27. Section 1513 fund balance as of June 30, 2016	\$ 11,755,773	\$ -	\$ 11,755,773
28. Section 1513 funds received for FY 2017	15,279,717	-	15,279,717
29. PTAF Section 1513 funds received for FY 2017 (applicable to SEPTA and PAAC)	-	-	-
30. Total Section 1513 funds received for FY 2017 (Line 28+29)	15,279,717	-	15,279,717
31. Interest income earned on Section 1513 funds in FY 2017	7,200	-	7,200
32. Total Section 1513 funds available for FY 2017 (Line 27+30+31)	27,042,690	-	27,042,690
33. Section 1513 funds used for Urban fixed route operating expenses in FY 2017	11,039,850	-	11,039,850
34. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2017	165,291	-	165,291
35. Section 1513 funds used for Rural fixed route operating expenses in FY 2017	-	-	-
36. Section 1513 funds used for Rural non-fixed route operating expenses in FY 2017	-	-	-
37. Section 1513 funds used for Urban capital costs in FY 2017 (waiver required)	-	-	-
38. Section 1513 funds used for Rural capital costs in FY 2017 (waiver required)	-	-	-
39. Total Section 1513 Used in FY 2016-17 (Line 33+34+35+36+37+38)	11,205,141	-	11,205,141
40. Section 1513 Fund Balance as of June 30, 2017 (Line 32-39)	\$ 15,837,549	\$ -	\$ 15,837,549

South Central Transit Authority

Shared Ride Retained Earnings
Year Ended June 30, 2017

1. Shared ride retained earnings balance as of June 30, 2016	\$ -
2. Shared ride revenue received for FY 2016-17	12,681,180
3. Interest income on shared ride revenue earned for FY 2016-17	<u>-</u>
4. Total shared ride funds available in FY 2016-17	12,681,180
5. Shared ride revenue used for operating expenses in FY 2016-17	<u>12,586,893</u>
6. Shared ride retained earnings balance as of June 30, 2017	<u><u>\$ 94,287</u></u>

South Central Transit Authority

Capital Report #1 - Fiscal Year and Inception-to-Date Capital Project Spending
Year Ended June 30, 2017

	A	B	C	D	E	F	G	H	I	J	K	L=SUM (A:K)	M	N=M-L
1	Computer Hardware	Fixed Route Revenue Equipment	BTC Upgrades	Misc & Maint Equipment	Computer Software	Office Furniture & Equipment	Transit Enhancements	Communications Equipment	Time & Attendance Software	Shared Ride Revenue Equipment	Point of Sale System	Total Spent	Total Granted Funds	Granted Funds Less Amt Spent
2	Expenditures Through the End of the Prior Fiscal Year	\$ 26,480	\$ 3,402,360	\$ 36,288	\$ 6,499	\$ 72,435	\$ 2,947	\$ 6,776	\$ -	\$ -	\$ -	\$ 3,553,785	3,553,785	-
	Sources of Funds for the Current Fiscal Year													
3	Federal Capital - 5303/5304/5305 - FTA Planning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	Federal Capital - 5307 - FTA Urban Formula	-	-	-	-	-	2,349	-	-	401,619	-	403,968	403,968	-
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	-	618,770	-	-	-	-	-	-	-	-	618,770	618,770	-
12	Federal Capital - 5316 - FTA JARC	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Federal Capital - FLEX	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Federal Capital FHWA Programs (CMAQ, ITS, STP)	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Federal Capital - Other	-	-	-	-	-	-	-	-	-	-	-	-	-
16	State - 1513 - Waiver to Use for Capital	-	-	-	-	-	-	-	-	-	-	-	-	-
17	State Capital - 1514 - PA Bond Program	-	-	-	-	-	-	-	-	-	-	-	-	-
18	State Capital - 1514 - Discretionary	93,631	503,059	-	109,803	54,201	6,439	-	-	-	17,692	784,825	784,825	-
19	State Capital - 1515 - New Initiatives	-	-	-	-	-	-	-	-	-	-	-	-	-
20	State Capital - 1516 - CTC	-	-	-	-	-	-	-	-	1,538,089	-	1,538,089	1,538,089	-
21	State Capital - 1516 - Other	-	-	-	-	28,500	-	-	-	-	-	28,500	28,500	-
22	State Capital - 1517 - Capital Improvement Program	-	-	3,713	136,393	-	1,013	299	115,000	70,000	45,817	372,235	372,235	-
23	State Capital - PTAF	-	-	-	-	-	-	-	-	-	-	-	-	-
24	State Capital - All Sources Used for Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-
25	State Capital - ASG/BSG	-	-	-	-	-	-	-	-	-	-	-	-	-
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	3,212	16,774	78	3,909	373	246	287	1,554	866	684	610	28,593	28,593
37	Local Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-
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 FY	96,843	1,138,603	3,791	250,105	83,074	7,698	2,935	116,554	70,866	1,986,209	18,302	3,774,980	\$ 3,774,980
												Grand Total		
47	Total Sources of Funds Spent Inception-to-Date	123,323	4,540,963	40,079	256,604	155,509	10,645	9,711	116,554	70,866	1,986,209	18,302	7,328,765	
48	Total Granted Sources of Funds Inception to Date	123,323	4,540,963	40,079	256,604	155,509	10,645	9,711	116,554	70,866	1,986,209	18,302	7,328,765	
49	Granted Sources Less Amount Spent Inception to Date	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -