



Financial Report

June 30, 2012 and 2011

Red Rose Transit Authority

Financial Report

June 30, 2012 and 2011

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Independent Auditors' Report on the Financial Statements

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

We have audited the accompanying basic financial statements of the Red Rose Transit Authority as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Red Rose Transit Authority's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Red Rose Transit Authority as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012 on our consideration of the Red Rose Transit Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 to 8 and the schedules of funding progress on page 29 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Reinsel Kintz Lesher LLP

December 18, 2012

Red Rose Transit Authority

Management's Discussion and Analysis

The following discussion and analysis of the Red Rose Transit Authority's (the Authority and RRTA) activities and financial performance provides an introduction and overview to the Authority's basic financial statements for the fiscal years ended June 30, 2012, 2011, and 2010. Please read it in conjunction with the Authority's financial statements.

Authority Activities and Highlights

- The Authority's net assets increased approximately \$2,831,000 for the year ended June 30, 2012, compared to an increase of \$10,368,000 and \$6,139,000 for the years ended June 30, 2011 and 2010, respectively. These changes were primarily the result of fluctuations in capital grant revenues which are utilized to purchase capital assets (replacement revenue vehicles and building improvements). Capital grant revenues approximated \$5,345,000, \$12,600,000, and \$8,409,000 for the years ended June 30, 2012, 2011, and 2010, respectively.
- The Authority's operating revenues increased approximately 3.5%, 8.0%, and 0.4%, or \$315,000, \$675,000, and \$29,000, respectively, for the years ended June 30, 2012, 2011, and 2010. These increases occurred as a result of the continued growth in the Authority's shared ride service programs. For 2011 the largest growth recorded was in the Medical Assistance Transportation Program (MATP) and fixed route passenger fares. In addition, passenger fares have risen steadily. For the years ended June 30, 2012, 2011, and 2010, passenger fares approximated \$4,561,000, \$4,288,000, and \$4,208,000, respectively.
- The Authority's operating expenses increased approximately 1.6%, 5.2%, and 2.4%, or \$246,000, \$867,000, and \$397,000, respectively, from the preceding year for the years ended June 30, 2012, 2011, and 2010. The opening of the parking garage and operations of the Queen Street station were the primary causes for the increase in operating expenses.
- The Authority provided 2,260,502 passenger trips during fiscal year 2012 compared to 2,198,314 and 2,142,642 in the fiscal years 2011 and 2010. The increase represented a 2.8% increase for 2012 compared to a 2.6% increase in system ridership for 2011. This included a 3.9% increase in passengers using the Authority's fixed route system. From 2011 to 2012 passenger trips increased by 62,188 trips and from 2010 to 2011 passenger trips increased by 55,672.

Overview of the Financial Statements

The Authority's basic financial statements include a balance sheet; statement of revenues, expenses, and changes in net assets; statement of cash flows; and notes to financial statements.

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

Overview of the Financial Statements (continued)

Balance Sheets

The balance sheets present the financial position of the Authority. They present information on the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statements of Revenues, Expenses, and Changes in Net Assets

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 these statements for some items that will only result in cash flows in future fiscal periods.

Statements of Cash Flows

The statements of cash flows present information on the effects changes in assets and liabilities have on cash during the course of the fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 13 to 27 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 29 of this report.

Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$42,308,000 \$39,476,000, and \$29,109,000 as of June 30, 2012, 2011, and 2010, respectively.

Financial Analysis (continued)

Net Assets (continued)

A condensed summary of the Authority's balance sheets at June 30, 2012, 2011, and 2010 is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 3,711,796	\$ 4,822,791	\$ 6,124,072
Noncurrent assets:			
Capital assets, net	41,692,709	38,894,202	28,448,687
Other asset	<u>229,585</u>	<u>226,754</u>	<u>204,077</u>
Total assets	<u>\$45,634,090</u>	<u>\$43,943,747</u>	<u>\$34,776,836</u>
Current liabilities	\$ 3,326,443	\$ 4,467,572	\$ 5,668,263
Net assets:			
Invested in capital assets	41,692,709	38,894,202	28,448,687
Restricted net assets	33,502	34,309	64,571
Unrestricted assets	<u>581,436</u>	<u>547,664</u>	<u>595,315</u>
Total net assets	<u>42,307,647</u>	<u>39,476,175</u>	<u>29,108,573</u>
Total liabilities and net assets	<u>\$45,634,090</u>	<u>\$43,943,747</u>	<u>\$34,776,836</u>

By far the largest portion of the Authority's net assets, 98.5%, 98.5%, and 97.7% as of June 30, 2012, 2011, and 2010, respectively, reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, vehicles and equipment, furniture, and equipment). The Authority receives capital grant funding from federal, state, and local governments to acquire these capital assets. Therefore, certain restrictions are placed on their disposal. The Authority uses these capital assets to provide services to citizens. For this reason, and due to the restrictions placed on the disposal of these capital assets, these assets are not available for future spending.

An additional portion of the Authority's net assets, 0.1%, 0.1%, and 0.2% at June 30, 2012, 2011, and 2010, respectively, represent resources that are subject to external restrictions on how they may be used. The remaining balance of approximately \$581,000, \$548,000, and \$595,000 at June 30, 2012, 2011, and 2010, respectively, represents unrestricted surplus.

Financial Analysis (continued)

Changes in Net Assets

A condensed summary of the Authority's statements of revenues, expenses, and changes in net assets for the years ended June 30, 2012, 2011, and 2010 is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Passenger fares	\$ 4,560,925	\$ 4,287,752	\$ 4,207,618
Government fare programs	4,634,365	4,643,756	3,976,967
Other operating revenues	<u>190,048</u>	<u>139,045</u>	<u>211,194</u>
Total operating revenues	9,385,338	9,070,553	8,395,779
Operating expenses:			
Salaries and payroll taxes	3,967,454	4,066,727	4,040,993
Fringe benefits	2,730,640	2,717,843	2,732,376
Purchased transportation	6,380,820	6,451,144	5,671,322
Other operating expenses	2,631,479	2,228,619	1,951,035
Depreciation	<u>2,547,692</u>	<u>2,189,796</u>	<u>2,390,962</u>
Total operating expenses	18,258,085	17,654,129	16,786,688
Operating assistance, planning grants, and dedicated tax funds:			
Federal government	2,206,078	1,598,211	2,206,460
Commonwealth of Pennsylvania	3,888,119	4,499,715	3,664,515
Local government	256,993	244,753	233,102
Interest income	7,670	12,342	12,841
Gain on disposal of equipment	<u>-</u>	<u>2,940</u>	<u>3,400</u>
Total nonoperating revenues	<u>6,358,860</u>	<u>6,357,961</u>	<u>6,120,318</u>
Decrease in net assets before capital grant funding	(2,513,887)	(2,225,615)	(2,270,591)
Capital grant funding	<u>5,345,359</u>	<u>12,593,217</u>	<u>8,409,314</u>
Increase in net assets	2,831,472	10,367,602	6,138,723
Net assets, beginning	<u>39,476,175</u>	<u>29,108,573</u>	<u>22,969,850</u>
Net assets, ending	<u>\$42,307,647</u>	<u>\$39,476,175</u>	<u>\$29,108,573</u>

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

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

Capital Assets and Debt Administration

Capital Assets

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

The Authority's investment in capital assets as of June 30, 2012, 2011, and 2010, net of accumulated depreciation, amounted to approximately \$41,693,000, \$38,894,000, and \$28,449,000, respectively. The Authority's investment in capital assets reflected approximate net increases (including additions, deletions, and depreciation) of approximately \$2,799,000, \$10,446,000, and \$6,288,000 for the years ended June 30, 2012, 2011, and 2010, respectively.

	Capital Assets at June 30 (Net of Accumulated Depreciation)		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and land improvements	\$ 3,967,254	\$ 4,007,076	\$ 4,034,491
Buildings and improvements	30,341,169	27,415,398	15,817,410
Revenue vehicles and equipment	5,597,822	6,019,891	7,086,591
Service vehicles and equipment	-	26,452	81,164
Shop and garage equipment	-	-	39,740
Furniture and office equipment	372,248	14,602	-
Miscellaneous revenue equipment	<u>1,414,216</u>	<u>1,410,783</u>	<u>1,389,291</u>
	<u>\$41,692,709</u>	<u>\$38,894,202</u>	<u>\$28,448,687</u>

During the years ended June 30, 2012, 2011, and 2010, the Authority expended approximately \$6,129,000, \$13,584,000, and \$8,700,000, respectively, on capital asset activities.

Additional information related to capital assets can be found in Note 6 to the financial statements.

Debt Administration

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

The Authority has a \$1,000,000 line of credit with a tax-free interest rate of 0.5% less than prime. At June 30, 2012 and 2011, no amount was outstanding against the line of credit.

Additional information related to the Authority's debt can be found in Note 7 of this report.

Economic Factors

RRTA continued to experience gains in ridership on the fixed route system during FY 2012 as the economy continued to rebound. However, with funding from the federal and state sources continuing to be flat, RRTA again raised fares and implemented minor service reductions of 3% in order to balance the budget. Bus fares were raised \$.10 across the board and shared ride fares were raised by 4.2% to keep up with the costs of providing service and the loss of ridership due to cuts in the medical assistance program. It was a very difficult year for shared ride services as the medical assistance program funding was initially cut by 18% by the state with the program reaching a funding crisis by January as this program could not sustain the ridership levels and a suspension of the program was announced unless additional funding was secured. The state did find additional funding and allowed systems to implement cost savings measures to make it through the end of the fiscal year.

One of RRTA's major capital projects, the Queen Street Station Parking Garage finally opened in June 2012 over a year late, due to issues with the general contractor that was terminated from the project. The garage contains 398 parking spaces that are being marketed to Amtrak users and the revenue will then be used to help fund the fixed route service. The garage also contains incidental lease space of roughly 8,500 sq. ft. on the corner of Queen & Chestnut Street and RRTA was able to secure a tenant that is planning a restaurant for the space and is expected to open in early 2013. This revenue will also be used towards the fixed route service. With the availability of parking nearby, RRTA will be actively pursuing the leasing of space at the Queen Street Station with two floors of space available for lease.

RRTA did take delivery of two new hybrid buses towards the end of the fiscal year, but has not had enough operating experience with these vehicles yet, although early data is showing a 30% improvement in fuel economy. Two additional hybrid buses were ordered to replace two buses that are over 12 years old and are expected to be delivered in 2013 which will further reduce operating costs.

One of the biggest gains during the year was passage of a new federal transportation law that allows RRTA to continue using federal funds for operating expenses. This was a major change in federal law that would have otherwise forced RRTA to cut service by about 30% had the old rules continued. The new law now allows RRTA to use up to 75% of its federal apportionment on operating expenses, but the federal levels remained relatively the same. This will require RRTA to balance capital needs, such as bus replacements, with operating needs to provide service.

Contacting the Authority's Financial Management

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

Red Rose Transit Authority

Balance Sheets

	JUNE 30,	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents, unrestricted	\$ 87,956	\$ 52,047
Cash and cash equivalents, restricted	1,874,720	1,913,167
Accounts receivable	549,357	727,455
Inventory, parts	329,701	320,983
Prepaid expenses	72,650	73,204
Capital grants receivable	797,412	1,735,935
	3,711,796	4,822,791
Noncurrent Assets		
Capital assets not being depreciated -		
Land and projects in process	3,858,875	11,670,007
Capital assets being depreciated:		
Land improvements	559,402	559,402
Buildings and improvements	33,932,669	22,645,721
Revenue vehicles and equipment	17,501,682	16,593,067
Service vehicles and equipment	353,609	353,609
Shop and garage equipment	490,856	490,856
Furniture and office equipment	1,481,481	990,306
Miscellaneous revenue equipment	2,715,890	2,528,339
	57,035,589	44,161,300
Less accumulated depreciation	19,201,755	16,937,105
	37,833,834	27,224,195
Capital Assets, net	41,692,709	38,894,202
Other asset, net pension benefit	229,585	226,754
Total Assets	\$ 45,634,090	\$ 43,943,747

See notes to financial statements.

	JUNE 30,	
	<u>2012</u>	<u>2011</u>
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Accounts payable - operating	\$ 579,065	\$ 819,637
Accounts payable - capital	731,359	1,514,534
Accrued wages	55,092	132,602
Payroll withholdings	59,371	60,843
Deferred revenue	26,836	26,789
Act 44 deferred revenue	1,274,290	1,196,597
Act 49 deferred revenue	512,080	512,080
Act 26 deferred revenue	88,350	204,490
	<hr/>	<hr/>
Total Current Liabilities	3,326,443	4,467,572
Net Assets		
Invested in capital assets	41,692,709	38,894,202
Restricted for:		
Disposition proceeds	2,511	3,346
Capital purchases	30,991	30,963
	<hr/>	<hr/>
	33,502	34,309
Unrestricted	581,436	547,664
	<hr/>	<hr/>
Total Net Assets	42,307,647	39,476,175
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 45,634,090	\$ 43,943,747
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Red Rose Transit Authority

Statements of Revenue, Expenses, and Changes in Net Assets

	YEAR ENDED JUNE 30,	
	2012	2011
Operating revenues:		
Passenger fares	\$ 4,560,925	\$ 4,287,752
State Senior Citizens Program	440,646	443,976
Medical Assistance Transportation Program Grant	2,737,623	2,703,502
State Lottery Shared Ride Program Grant	1,456,096	1,496,278
Advertising income	89,580	65,908
Concession income	3,203	1,639
Miscellaneous	97,265	71,498
	9,385,338	9,070,553
Total Operating Revenues		
Operating expenses before depreciation	15,710,393	15,464,333
Loss from Operations Before Depreciation	(6,325,055)	(6,393,780)
Depreciation	2,547,692	2,189,796
Loss from Operations After Depreciation	(8,872,747)	(8,583,576)
Nonoperating revenues:		
Operating assistance and planning grants:		
Federal government	2,206,078	1,598,211
Commonwealth of Pennsylvania	3,888,119	4,499,715
Local government	256,993	244,753
	6,351,190	6,342,679
Interest income, operations	7,670	12,342
Gain on disposal of equipment	-	2,940
Total Nonoperating Revenues	6,358,860	6,357,961
Decrease in Net Assets Before Capital Grant Funding	(2,513,887)	(2,225,615)
Capital grant funding	5,345,359	12,593,217
Increase in Net Assets	2,831,472	10,367,602
Net Assets, Beginning	39,476,175	29,108,573
Net Assets, Ending	\$ 42,307,647	\$ 39,476,175

See notes to financial statements.

Red Rose Transit Authority

Statements of Cash Flows

	YEAR ENDED JUNE 30,	
	2012	2011
Cash flows from operating activities:		
Cash received from customers	\$ 9,466,218	\$ 8,879,376
Cash payments to suppliers for goods and services	(11,491,646)	(10,645,006)
Cash payments to employees for services	(4,549,296)	(4,547,944)
Other operating cash receipts	97,265	71,498
	(6,477,459)	(6,242,076)
Cash flows from noncapital financing activities -		
Receipts from grants - operating and planning	6,428,883	5,880,373
Cash flows from capital and related financing activities:		
Receipts from capital grants	6,167,742	13,125,431
Proceeds from sale of equipment	-	2,940
Purchase of capital assets	(6,129,374)	(13,584,184)
	38,368	(455,813)
Net Cash Provided by (Used in) Capital and Related Financing Activities		
	38,368	(455,813)
Cash flows from investing activities -		
Interest income	7,670	12,342
	(2,538)	(805,174)
Net Decrease in Cash and Cash Equivalents		
	(2,538)	(805,174)
Cash and cash equivalents:		
Beginning of Year	1,965,214	2,770,388
End of Year	\$ 1,962,676	\$ 1,965,214

See notes to financial statements.

Red Rose Transit Authority

Statements of Cash Flows (continued)

	YEAR ENDED JUNE 30,	
	2012	2011
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss after depreciation	\$ (8,872,747)	\$ (8,583,576)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,547,692	2,189,796
Change in assets and liabilities:		
Increase (decrease) in accounts receivable	178,098	(119,778)
Increase in inventory	(8,718)	(54,378)
Decrease in prepaid expenses	554	106
Increase in net pension benefit	(2,831)	(22,677)
Increase (decrease) in accounts payable and accrued liabilities	(319,554)	348,333
Increase in deferred revenue	47	98
	\$ (6,477,459)	\$ (6,242,076)
Net Cash Used in Operating Activities	\$ (6,477,459)	\$ (6,242,076)

See notes to financial statements.

Red Rose Transit Authority
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 - Nature of Activity and Significant Accounting Policies

Nature of Activity

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

The Authority has two operating divisions, the fixed route division, which provides scheduled bus service on fixed routes, and the shared ride division, which provides demand responsive transportation services in specially equipped vehicles to the general public and qualifying elderly and handicapped persons.

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

Summary of the Authority's Significant Accounting Policies

The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Authority:

The Financial Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Nature of Activity and Significant Accounting Policies (continued)

Summary of the Authority's Significant Accounting Policies (continued)

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed to the extent these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Authority has elected to follow subsequent private-sector guidance, subject to the same limitation.

Operating revenues and expenses are distinguished from nonoperating items in the statements of revenues, expenses, and changes in net assets. 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 planning grants from federal, state, and local governments, dedicated tax revenues, gains on disposals of capital assets, and interest income.

Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

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

Cash and Cash Equivalents, Restricted

Restricted cash and cash equivalents represent deferred revenues received from the Commonwealth of Pennsylvania Department of Transportation.

Accounts Receivable

All accounts receivables are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received. No allowance was deemed necessary at June 30, 2012 and 2011.

Note 1 - Nature of Activity and Significant Accounting Policies (continued)

Summary of the Authority's Significant Accounting Policies (continued)

Investments

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

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

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

Investments are stated at fair value.

Inventory

Inventory is valued at the lower of cost or market on a first-in, first-out basis method. No allowance for obsolescence was deemed necessary at June 30, 2012 and 2011.

Prepaid Expenses

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

Capital Assets

Capital assets are defined by the Authority as assets with a useful life in excess of one year and an initial individual cost of more than \$250 and are recorded at cost and depreciated utilizing the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	5
Buildings and improvements	30
Revenue vehicles and equipment	5 to 12
Service vehicles and equipment	5 to 8
Shop and garage equipment	5 to 10
Furniture and office equipment	5 to 10
Miscellaneous revenue equipment	5 to 15

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

Maintenance and repairs of capital assets are expensed when incurred.

Note 1 - Nature of Activity and Significant Accounting Policies (continued)

Summary of the Authority's Significant Accounting Policies (continued)

Long-lived Assets

Long-lived assets other than those held for sale 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. Management has concluded that no impairment reserves are required as of June 30, 2012 or 2011.

Compensated Absences

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

Deferred Revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but are not available.

Net Assets

Net assets are classified into three categories as follows:

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

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

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

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. Generally, the restricted resources are restricted to capital asset acquisitions and related expenditures, and the restricted assets are used for these purposes first before use of any unrestricted resources.

Revenues and Expenses

Capital Grants

Capital grants represent amounts received from capital project grants that are restricted to capital acquisition or construction. The Authority recognizes capital grant funding when the grants are earned, which is generally when the related capital expenditure is made. Capital grants are reported in the statements of revenues, expenses, and changes in net assets, after nonoperating revenues.

Advertising Costs

Advertising costs are expensed as incurred.

Note 2 - Budget Matters

The Authority adopts an annual budget; however, the Pennsylvania Municipality Authorities Act does not require it.

Note 3 - 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 4 - Cash Deposits and Investments

Cash Deposits

The Authority's available cash is invested in demand deposit accounts, the Pennsylvania INVEST Program (PA INVEST), the Pennsylvania Local Government Investment Trust (PLGIT), and petty cash. The carrying amounts of the cash deposits and investments at June 30, 2012 and 2011 consist of the following:

	June 30,	
	<u>2012</u>	<u>2011</u>
Cash deposits	\$1,845,271	\$1,697,849
PA INVEST	103,976	253,939
PLGIT	9,950	9,947
Petty cash	<u>3,479</u>	<u>3,479</u>
TOTAL	<u>\$1,962,676</u>	<u>\$1,965,214</u>

The carrying amounts of cash deposits and investments at June 30, 2012 and 2011 consist of the following:

	June 30,	
	<u>2012</u>	<u>2011</u>
Cash and cash equivalents, unrestricted	\$ 87,956	\$ 52,047
Cash and cash equivalents, restricted:		
Act 44	1,274,290	1,196,597
Act 49	512,080	512,080
Act 26	<u>88,350</u>	<u>204,490</u>
	<u>1,874,720</u>	<u>1,913,167</u>
	<u>\$1,962,676</u>	<u>\$1,965,214</u>

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.

Note 4 - Cash Deposits and Investments (continued)

Cash Deposits (continued)

As of June 30, 2012 and 2011, the Authority's cash deposits were \$1,845,271 and \$1,697,849, respectively. The bank balances as of June 30, 2012 and 2011 were \$2,074,367 and \$1,680,964, respectively, of which \$1,824,367 and \$1,430,964, respectively, was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority also maintained petty cash on hand totaling \$3,479 at June 30, 2012 and 2011, respectively.

Investments

As of June 30, 2012 and 2011, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
	<u>Fair Value</u>	<u>Less than One Year</u>
June 30, 2012:		
PA INVEST	\$ 103,976	\$ 103,976
PLGIT	<u>9,950</u>	<u>9,950</u>
	<u>\$ 113,926</u>	<u>\$ 113,926</u>
June 30, 2011:		
PA INVEST	\$ 253,939	\$ 253,939
PLGIT	<u>9,947</u>	<u>9,947</u>
	<u>\$ 263,886</u>	<u>\$ 263,886</u>

As of June 30, 2012 and 2011, the Authority's investments in the Pennsylvania INVEST Program and the Pennsylvania Local Government Investment Trust were rated AAAM by Standard & Poor's.

The Authority is authorized by statutes to invest its funds in certain governmental obligations as described in Note 1. The Authority's investment policy is consistent with these limitations.

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

Note 5 - Capital Grants Receivable

At June 30, 2012 and 2011, the following amounts are due from the federal government and Commonwealth of Pennsylvania for various capital projects:

	<u>2012</u>	<u>2011</u>
Federal government	\$ 587,319	\$1,231,705
Commonwealth of Pennsylvania	<u>210,093</u>	<u>504,230</u>
	<u>\$ 797,412</u>	<u>\$1,735,935</u>

Note 6 - Capital Assets

Capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	2012			Balance June 30, 2012
	<u>Balance July 1, 2011</u>	<u>Additions/ Transfers In</u>	<u>Deletions/ Transfers Out</u>	
Capital assets not being depreciated:				
Land	\$ 3,858,875	\$ -	\$ -	\$ 3,858,875
Projects in process	<u>7,811,132</u>	<u>-</u>	<u>7,811,132</u>	<u>-</u>
Total capital assets not being depreciated	11,670,007	-	7,811,132	3,858,875
Capital assets being depreciated:				
Land improvements	559,402	-	-	559,402
Buildings and improvements	22,645,721	12,062,594	775,646	33,932,669
Revenue vehicles and equipment	16,593,067	1,152,867	244,252	17,501,682
Service vehicles and equipment	353,609	-	-	353,609
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	990,306	529,964	38,789	1,481,481
Miscellaneous revenue equipment	<u>2,528,339</u>	<u>187,551</u>	<u>-</u>	<u>2,715,890</u>
Total capital assets being depreciated	44,161,300	13,932,976	1,058,687	57,035,589
Less accumulated depreciation for:				
Land improvements	411,202	39,821	-	451,023
Buildings and improvements	3,041,456	550,043	-	3,591,499
Revenue vehicles and equipment	10,573,175	1,574,936	244,252	11,903,859
Service vehicles and equipment	327,158	26,451	-	353,609
Shop and garage equipment	490,857	-	-	490,857
Furniture and office equipment	975,704	172,319	38,790	1,109,233
Miscellaneous revenue equipment	<u>1,117,553</u>	<u>184,122</u>	<u>-</u>	<u>1,301,675</u>
Total accumulated depreciation	<u>16,937,105</u>	<u>2,547,692</u>	<u>283,042</u>	<u>19,201,755</u>
Total capital assets being depreciated, net	<u>27,224,195</u>	<u>11,385,284</u>	<u>775,645</u>	<u>37,833,834</u>
Total capital assets, net	<u>\$38,894,202</u>	<u>\$11,385,284</u>	<u>\$ 8,586,777</u>	<u>\$41,692,709</u>

Note 6 - Capital Assets (continued)

	2011			
	Balance July 1, 2010	Additions/ Transfers In	Deletions/ Transfers Out	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 3,858,875	\$ -	\$ -	\$ 3,858,875
Projects in process	<u>5,212,852</u>	<u>2,598,280</u>	<u>-</u>	<u>7,811,132</u>
Total capital assets not being depreciated	9,071,727	2,598,280	-	11,670,007
Capital assets being depreciated:				
Land improvements	557,409	1,993	-	559,402
Buildings and improvements	13,383,959	9,261,762	-	22,645,721
Revenue vehicles and equipment	16,276,198	456,137	139,268	16,593,067
Service vehicles and equipment	353,609	-	-	353,609
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	879,433	129,675	18,802	990,306
Miscellaneous revenue equipment	<u>2,340,874</u>	<u>187,465</u>	<u>-</u>	<u>2,528,339</u>
Total capital assets being depreciated	34,282,338	10,037,032	158,070	44,161,300
Less accumulated depreciation for:				
Land improvements	381,793	29,409	-	411,202
Buildings and improvements	2,779,401	262,055	-	3,041,456
Revenue vehicles and equipment	9,189,607	1,522,836	139,268	10,573,175
Service vehicles and equipment	272,445	54,713	-	327,158
Shop and garage equipment	451,116	39,741	-	490,857
Furniture and office equipment	879,433	108,160	11,889	975,704
Miscellaneous revenue equipment	<u>951,583</u>	<u>172,883</u>	<u>6,913</u>	<u>1,117,553</u>
Total accumulated depreciation	<u>14,905,378</u>	<u>2,189,797</u>	<u>158,070</u>	<u>16,937,105</u>
Total capital assets being depreciated, net	<u>19,376,960</u>	<u>7,847,235</u>	<u>-</u>	<u>27,224,195</u>
Total capital assets, net	<u>\$28,448,687</u>	<u>\$10,445,515</u>	<u>\$ -</u>	<u>\$38,894,202</u>

Note 7 - Line of Credit

The Authority has a \$1,000,000 unsecured line of credit with a bank at with an interest rate of .50 percentage points less than the prime rate, or 4% at June 30, 2012 and 2011. As of June 30, 2012 and 2011, no amount was outstanding against the line of credit.

Note 8 - Pension Plans

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

Note 8 - Pension Plans (continued)

Plan Description and Funding Policy

Membership of each plan consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

	<u>Red Rose Transit Authority Pension Plan</u>	<u>Red Rose Transit Authority Salaried Employees Pension Plan</u>
Retirees and beneficiaries receiving benefits	37	10
Terminated plan members entitled to, but not yet receiving benefits	9	7
Active plan members	<u>69</u> <u>115</u>	<u>27</u> <u>44</u>
Number of participating employers	1	1

Red Rose Transit Authority Pension Plan

The Red Rose Transit Authority Pension Plan is a single-employer defined benefit pension plan administered by the Authority. The pension plan provides pension benefits for normal retirement at the age of 62 and completion of 10 years of service. The amount of pension is calculated based on the table below. Members become vested after 10 years of service. Early retirement is available at age 55 with 20 years of service on a reduced basis. Authority employees who terminate after 10 years of credited service will receive a deferred annuity commencing at normal retirement age. The plan also provides for late retirement and death and disability benefits.

<u>Participant Retirement Date</u>	<u>Amount Per Month Per Year of Service</u>
After March 31, 2007	\$36.00
After March 31, 2008	\$37.75
After March 31, 2009	\$39.50
After March 31, 2010	\$41.50
After March 31, 2011	\$43.50
After March 31, 2012	\$45.50

Funding Policy

Effective June 1, 2009, employee contributions are \$.98 per hour and employer contributions are made at the rate of \$1.48 per hour. The Authority is required to contribute amounts necessary to fund the Plan using the actuarial basis specified by statute.

Red Rose Transit Authority Salaried Employees Pension Plan

The Red Rose Transit Authority Salaried Employees Pension Plan is a single-employer defined benefit pension plan for salaried employees administered by the Authority. The pension plan provides pension benefits for normal retirement at the age of 65 and completion of 10 years of service based on a formula using average monthly pay for the 5 highest consecutive years out of the last 10 prior to retirement. Early retirement is available at age 55 with 10 years of service on a reduced basis. Members become fully vested after 10 years of service. The Plan also provides for late retirement and death benefits.

Note 8 - Pension Plans (continued)

Funding Policy

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

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

	Red Rose Transit Authority Union Pension Plan	Red Rose Transit Authority Salaried Employees Pension Plan	Total
Annual required contribution	\$ 357,694	\$ 91,411	\$ 449,105
Annual required contribution adjustment	<u>(159,740)</u>	-	<u>(159,740)</u>
Annual pension cost	197,954	91,411	289,365
Contributions made	<u>212,196</u>	<u>80,000</u>	<u>292,196</u>
Change in net pension asset	14,242	(11,411)	2,831
Net pension asset at beginning of year	<u>203,100</u>	<u>23,654</u>	<u>226,754</u>
Net pension asset at end of year	<u>\$ 217,342</u>	<u>\$ 12,243</u>	<u>\$ 229,585</u>

Red Rose Transit Authority Pension Plan

The annual required contribution for the current year was determined as part of the July 1, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 6.0%. Moderate inflation based on long-term historical average rates is a component of the actuarial assumptions used herein. Provision is not made for advance funding of sharply higher rates of inflation experienced in some years. The effects of such higher rates are reflected in the funding after their occurrence. Provision for administrative expenses is added to normal cost. The assumptions included withdrawal and mortality tables. Loading of 5% was added to the basic pension costs for disability. Retirement is based upon normal retirement age or age on valuation date if greater. Liabilities for preretirement death benefit are computed on the assumption that all participants will have spouses of the same age at the date of eligibility for the benefit. The actuarial value of assets was determined by market value as determined by the trustee. The unfunded actuarial accrued liability is being amortized by the level dollar closed amortization method.

Three-Year Trend Information:

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/10	\$ 156,807	144%	\$ 169,285
6/30/11	\$ 191,849	117%	\$ 203,100
6/30/12	\$ 197,954	107%	\$ 217,342

Note 8 - Pension Plans (continued)

Red Rose Transit Authority Salaried Employees Pension Plan

The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 6.0%. Moderate inflation based on long-term historical average rates is a component of the actuarial assumptions used herein. Provision is not made for advance funding of sharply higher rates of inflation experienced in some years. The effects of such higher rates are reflected in the funding after their occurrence. Provision for administrative expenses is added to normal cost. The assumptions included withdrawal and mortality tables and social security. Retirement is based upon normal retirement age or age on valuation date if greater. Liabilities for preretirement death benefit are computed on the assumption that all participants will have spouses of the same age at the date of eligibility for the benefit. The actuarial value of assets was determined by market value as determined by the trustee. The unfunded actuarial accrued liability is being amortized equal to 10% of the negative unfunded actuarial accrued liability.

Three-Year Trend Information:

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/10	\$ 79,317	97%	\$ 34,792
6/30/11	\$ 92,138	88%	\$ 23,654
6/30/12	\$ 91,411	88%	\$ 12,243

The funded status of the Authority's Union Employees Pension Plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2011	\$4,334,725	\$5,547,037	\$1,212,312	78%	\$3,118,234	39%

The funded status of the Authority's Salaried Employees Pension Plan as of July 1, 2011, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2011	\$1,454,253	\$1,721,349	\$ 267,096	85%	\$1,151,945	23%

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

Note 9 - Assumed Revenue Under Commonwealth of Pennsylvania Act 49/Restricted Net Assets

In May 1984, the Pennsylvania Department of Transportation changed its methodology of determining the amount of operating assistance funding. This legislation, Act 49, allowed for an assumed rate of operating revenue that is retained by the Authority and utilized to offset deficits, ineligible expenditures, local share of capital grants, and other capital expenditures. At June 30, 2012 and 2011, the Authority has accumulated \$512,080, which is recorded in a deferred revenue account. Effective July 1, 1987, this legislation was superseded by Act 73.

Note 10 - Other Grant Purpose Revenue Under Commonwealth of Pennsylvania Act 26/Restricted Net Assets

In August 1991, the Pennsylvania Legislature passed a dedicated source of funding for public transportation. This legislation, known as Act 26, allowed the Authority to retain the amount of the State Operating Assistance Grant, as well as the local match in excess of the amount needed to fund the current operating deficit. The total of these funds, which exceeds current operating needs, can be used for any purpose in the furtherance of transportation services. At June 30, 2012 and 2011, the Authority has accumulated \$88,350 and \$204,490 respectively, which is recorded in a deferred revenue account. As of July 1, 2007, this funding was replaced with Act 44 funding.

Note 11 - Funding Under Commonwealth of Pennsylvania Act 44

In July 2009, the Pennsylvania legislature enacted Act 44 which provides a dedicated source of funding for public transportation. The funding under this Act replaces state operating grants, the State Senior Citizens Program Grant, and dedicated tax revenues under Act 26 and Act 3. Funding under Act 44 is to be used for operating and approved capital 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 which are recorded in a deferred revenue account. For the years ended June 30, 2012 and 2011, the following transactions occurred relative to the Act 44 funding:

	<u>Operating</u>
Balance, July 1, 2011	\$1,196,597
Funds received, state	4,406,458
Funds expended	<u>(4,328,765)</u>
Balance, June 30, 2012	<u>\$1,274,290</u>

For the years ended June 30, 2012 and 2011, \$443,976 and \$443,976, respectively, of Act 44 funds was utilized to fund the Authority's State Senior Citizens Program and was recorded as revenue under that program net of prior year over fundings of \$-0-.

Note 12 - Disposition Proceeds/Restricted Net Assets

The balance represents the proceeds from the disposal of vehicles. These funds and the interest earnings thereon are held in a restricted account to be expended in future years for the purchase of vehicles under the restrictions set forth in the related grants. At June 30, 2012 and 2011, the Authority has accumulated \$2,511 and \$3,346, respectively.

Note 13 - Capital Purchases/Restricted Net Assets

The balance represents insurance or other proceeds received for the replacement of certain capital assets. These funds and the interest earnings thereon are held in a restricted net asset account to be expended in future years for the replacement of the related capital assets. At June 30, 2012 and 2011, the Authority has accumulated \$30,991 and \$30,963, respectively.

Note 14 - Board-designated Unrestricted Net Assets

At June 30, 2012 and 2011, the Board of Directors of the Authority has designated \$76,034 and \$69,978, respectively, of unrestricted net assets for self-insurance reserves.

Note 15 - 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 & Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the SAFTI Property & Liability Pool for its property, general liability, automobile liability, automobile physical damage and crime, boiler and machinery, and public officials' errors and omissions insurance coverage. The agreement for formation of the SAFTI Property & Liability Pool provides that the SAFTI Property & Liability Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified for each type of coverage. In the event annual contributions are not sufficient to fund operations or obligations of the SAFTI Property & Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Property & Liability Pool and charged to operations during the years ended June 30, 2012 and 2011 amounted to \$258,548 and \$267,161, respectively.

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance (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, 2012 and 2011 amounted to \$171,249 and \$139,566, respectively.

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

For the years ended June 30, 2012 and 2011, there has been no significant reduction in insurance coverage from the prior year. In addition, settled claims have not exceeded the insurance coverage purchased for the years ended June 30, 2012, 2011, and 2010.

Note 16 - Advertising Costs

Advertising costs included in the statements of revenues, expenses, and changes in net assets for the years ended June 30, 2012 and 2011 were \$49,507 and \$66,624, respectively.

Note 17 - Commitments and Contingencies

Commitments

Bus Tire Lease

The Authority leases bus tires under the terms of an operating lease that calls for monthly payments based on actual mileage. Mileage rates are determined based on calculations included in the lease agreement. The lease runs through 2013.

Parking Lot Lease

The Authority leases a parking lot for its park and ride program. Under the terms of the operating lease, monthly payments of \$900 are due through June 30, 2012. Total rent expense during the year amounted to \$10,800 and \$7,800 for the years ended June 30, 2012 and 2011, respectively. There is no minimum rental commitment as of June 30, 2012.

Renovations and Expansion

The Authority has made commitments at June 30, 2012 approximating \$682,000, related to the construction of additional facilities in downtown Lancaster. The expenditures will be funded through federal, state, and local capital grants.

Bus Purchase

The Authority has made commitments at June 30, 2012 approximating \$2,400,000, to purchase four hybrid buses during the next fiscal year. The expenditures will be funded through federal, state, and local capital grants.

Contingencies

Grants

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

Capital Assets

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

Note 17 - Commitments and Contingencies (continued)

Contingencies (continued)

Audit

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

Note 18 - Litigation

During the fiscal year ended June 30, 2011, the Authority was in the process of constructing a parking garage in the City of Lancaster. During the excavation phase of the project, a building adjacent to the construction site collapsed. At this point in time, the actual cause of the collapse has not been determined. However, there is the possibility litigation may be filed against the Authority alleging responsibility. No litigation has been filed at this time and the Authority cannot reasonably estimate any potential liability.

During the year ended June 30, 2012, a lawsuit was filed against the Authority by a general contractor alleging additional amounts are due to them related to a construction project. The contractor is seeking in excess of \$800,000. The Authority is aggressively defending the lawsuit. The Authority is unable to estimate any potential liability related to these matters and no liability has been recorded as of June 30, 2012. The Authority intends to vigorously defend these matters.

Note 19 - Subsequent Events

The Authority has evaluated subsequent events through December 18, 2012. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2012 were noted except for a lawsuit was filed against the Authority by two prime contractors, each of which is seeking to recover delay damages in excess of \$490,000 in aggregate. The Authority is aggressively defending the lawsuit. The Authority is unable to estimate any potential liability related to these matters and no liability has been recorded as of June 30, 2012. The Authority intends to vigorously defend these matters.



Independent Auditors' Report on the Supplemental Information

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

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

Reinsel Kuntz Lesher LLP

December 18, 2012

Supplemental Information

Red Rose Transit Authority

Schedules of Funding Progress, Pension Plans

Red Rose Transit Authority Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 2,842,876	\$ 3,789,977	\$ 947,101	75%	\$ 2,699,628	35%
July 1, 2009	\$ 3,343,254	\$ 4,612,266	\$ 1,269,012	72%	\$ 2,925,073	43%
July 1, 2011	\$ 4,334,725	\$ 5,547,037	\$ 1,212,312	78%	\$ 3,118,234	39%

Red Rose Transit Authority Salaried Employees Pension Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL UAAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 1,052,465	\$ 1,081,442	\$ 28,977	97%	\$ 1,033,007	3%
July 1, 2009	\$ 1,192,130	\$ 1,325,927	\$ 133,797	90%	\$ 1,101,359	12%
July 1, 2011	\$ 1,454,253	\$ 1,721,349	\$ 267,096	84%	\$ 1,151,945	23%

Red Rose Transit Authority

Operations, by Division

	Year Ended June 30, 2012					Year Ended June 30, 2011		
	Fixed Route	Shared Ride	Queen Street Station	Parking Garage	Total	Fixed Route	Shared Ride	Total
Operating revenues:								
Passenger fares	\$ 2,371,896	\$ 2,189,029	\$ -	\$ -	\$ 4,560,925	\$ 2,175,810	\$ 2,111,942	\$ 4,287,752
State Senior Citizens Program	440,646	-	-	-	440,646	443,976	-	443,976
Medical Assistance Transportation Program Grant	-	2,737,623	-	-	2,737,623	-	2,703,502	2,703,502
State Lottery Shared Ride Program Grant	-	1,456,096	-	-	1,456,096	-	1,496,278	1,496,278
Advertising income	89,580	-	-	-	89,580	65,908	-	65,908
Concession income	3,203	-	-	-	3,203	1,639	-	1,639
Miscellaneous	88,410	4,420	-	4,435	97,265	66,698	4,800	71,498
Total Operating Revenue	2,993,735	6,387,168	-	4,435	9,385,338	2,754,031	6,316,522	9,070,553
Operating expenses before depreciation	8,323,825	7,130,853	201,307	54,408	15,710,393	8,425,993	7,038,340	15,464,333
Loss from Operations Before Depreciation	(5,330,090)	(743,685)	(201,307)	(49,973)	(6,325,055)	(5,671,962)	(721,818)	(6,393,780)
Depreciation	1,693,329	557,480	245,277	51,606	2,547,692	1,672,624	517,172	2,189,796
Loss from Operations After Depreciation	\$ (7,023,419)	\$ (1,301,165)	\$ (446,584)	\$ (101,579)	\$ (8,872,747)	\$ (7,344,586)	\$ (1,238,990)	\$ (8,583,576)

Red Rose Transit Authority
Operating Expenses, by Division

	Year Ended June 30, 2012					Year Ended June 30, 2011		
	Fixed Route	Shared Ride	Queen Street Station	Parking Garage	Total	Fixed Route	Shared Ride	Total
Labor	\$ 3,466,386	\$ 375,464	\$ 84,755	\$ 40,849	\$ 3,967,454	\$ 3,721,222	\$ 345,505	\$ 4,066,727
Fringe benefits:								
FICA tax	289,468	30,421	6,745	3,336	329,970	311,630	28,347	339,977
Pension, funded, salaried	63,411	28,000	-	-	91,411	63,788	-	63,788
Pension, funded, union	197,954	-	-	-	197,954	191,849	28,350	220,199
Long-term disability	4,432	2,387	-	-	6,819	4,976	2,679	7,655
Hospital, medical, and surgical	1,202,870	142,913	-	-	1,345,783	1,194,019	107,793	1,301,812
Life insurance	13,285	1,664	-	-	14,949	14,594	1,781	16,375
Short-term disability	26,686	-	-	-	26,686	30,860	-	30,860
Pennsylvania unemployment taxes	20,935	-	-	-	20,935	22,850	-	22,850
Workers' compensation insurance	169,749	1,500	-	-	171,249	138,066	1,500	139,566
Sick leave	36,629	7,281	918	574	45,402	42,669	5,537	48,206
Holiday, birthday, and personal days	146,565	16,291	3,256	1,885	167,997	160,699	18,247	178,946
Vacation	252,258	24,619	3,390	2,257	282,524	267,111	24,389	291,500
Other paid absences	6,257	1,867	155	130	8,409	7,088	1,722	8,810
Maintenance uniforms	2,126	-	-	-	2,126	3,450	-	3,450
Operators' uniforms	11,630	-	-	-	11,630	9,136	-	9,136
Tool allowance	6,796	-	-	-	6,796	5,039	-	5,039
	2,451,051	256,943	14,464	8,182	2,730,640	2,467,824	220,345	2,688,169
Services:								
Professional and technical	55,667	18,167	1,162	1,575	76,571	81,158	25,380	106,538
Contract maintenance service	13,140	26,827	-	-	39,967	15,724	26,875	42,599
Custodial	27,986	9,234	29,667	-	66,887	50,448	13,410	63,858
Other	3,565	-	-	-	3,565	4,141	-	4,141
	100,358	54,228	30,829	1,575	186,990	151,471	65,665	217,136

Red Rose Transit Authority

Operating Expenses, by Division (continued)

	Year Ended June 30, 2012					Year Ended June 30, 2011		
	Fixed Route	Shared Ride	Queen Street Station	Parking Garage	Total	Fixed Route	Shared Ride	Total
Materials and supplies:								
Fuel and lubricants:								
Gasoline	9,809	-	-	-	9,809	10,406	-	10,406
Diesel	1,191,338	-	-	-	1,191,338	1,001,290	-	1,001,290
Motor oil	20,249	-	-	-	20,249	26,531	-	26,531
Vehicle maintenance:								
Service and accident repairs, revenue vehicles	43,244	-	-	-	43,244	(94,160)	-	(94,160)
Inspection and maintenance, revenue vehicles	552,860	-	-	-	552,860	497,720	-	497,720
Inspection and maintenance, service vehicles	2,834	-	-	-	2,834	1,141	-	1,141
Shop tools	3,148	-	-	-	3,148	5,058	-	5,058
Nonvehicle maintenance:								
Garage, shop, building grounds, and equipment	61,147	5,516	31,190	1,055	98,908	87,609	7,618	95,227
General function, miscellaneous	198	-	-	-	198	2,676	-	2,676
Customer service	19,328	333	-	290	19,951	13,393	-	13,393
Promotion and printing	16,250	2,776	-	-	19,026	4,167	2,644	6,811
Office supplies	7,505	4,557	527	-	12,589	6,281	5,654	11,935
Postage and freight	6,905	3,762	44	-	10,711	4,847	4,847	9,694
	1,934,815	16,944	31,761	1,345	1,984,865	1,566,959	20,763	1,587,722
Utilities:								
Telephone	8,607	15,981	-	-	24,588	8,548	12,823	21,371
Electric	22,230	1,433	26,336	-	49,999	65,423	7,269	72,692
Water and sewer	5,578	333	2,379	128	8,418	6,907	363	7,270
Heating oil	3,093	309	9,866	-	13,268	13,141	692	13,833
	39,508	18,056	38,581	128	96,273	94,019	21,147	115,166

Red Rose Transit Authority
Operating Expenses, by Division (continued)

	Year Ended June 30, 2012					Year Ended June 30, 2011		
	Fixed Route	Shared Ride	Queen Street Station	Parking Garage	Total	Fixed Route	Shared Ride	Total
Insurance:								
Casualty and liability insurance	250,488	7,655	-	405	258,548	258,959	8,202	267,161
Other	1,616	-	-	-	1,616	2,250	-	2,250
	252,104	7,655	-	405	260,164	261,209	8,202	269,411
Purchased transportation	-	6,380,820	-	-	6,380,820	-	6,451,144	6,451,144
Advertising	47,419	494	-	1,594	49,507	65,584	1,040	66,624
Other expenses:								
Dues and subscriptions	2,894	1,761	-	-	4,655	21,987	1,609	23,596
Travel and meetings	14,265	3,121	-	305	17,691	7,067	1,675	8,742
Queen Street Station - Other	-	-	-	-	-	53,022	-	53,022
Other	15,025	15,367	917	25	31,334	15,629	(98,755)	(83,126)
	32,184	20,249	917	330	53,680	97,705	(95,471)	2,234
Operating Expenses Before Depreciation	\$ 8,323,825	\$ 7,130,853	\$ 201,307	\$ 54,408	\$ 15,710,393	\$ 8,425,993	\$ 7,038,340	\$ 15,464,333
Depreciation	\$ 1,693,329	\$ 557,480	\$ 245,277	\$ 51,606	\$ 2,547,692	\$ 1,672,624	\$ 517,172	\$ 2,189,796

Red Rose Transit Authority
Statement of Changes in Net Assets
Year Ended June 30, 2012

	Investment in Property and Equipment	Disposition Proceeds	Capital Purchases	Unrestricted Net Assets		
				Board Designated	Unrestricted Net Assets	Total Unrestricted
				Self-Insurance Reserve		
Balance, Beginning	\$ 38,894,202	\$ 3,346	\$ 30,963	\$ 69,977	\$ 477,687	\$ 547,664
Decrease in unrestricted net assets before transfers	-	-	-	-	(2,513,887)	(2,513,887)
Transfers:						
Operating expenses	-	-	-	6,004	(6,004)	-
Depreciation expense	(2,547,692)	-	-	-	2,547,692	2,547,692
Interest income	-	5	28	53	(86)	(33)
Revenues earned under Act 44	-	-	-	-	-	-
Purchase of property and equipment under Act 26	132,343	-	-	-	-	-
Purchase of property and equipment under disposition proceeds	840	(840)	-	-	-	-
Purchase of property and equipment under Act 44	-	-	-	-	-	-
Capital grant funding:						
Federal government	4,375,976	-	-	-	-	-
Commonwealth of Pennsylvania	837,040	-	-	-	-	-
Local share	-	-	-	-	-	-
Balance, Ending	<u>\$ 41,692,709</u>	<u>\$ 2,511</u>	<u>\$ 30,991</u>	<u>\$ 76,034</u>	<u>\$ 505,402</u>	<u>\$ 581,436</u>

Red Rose Transit Authority
Statement of Changes in Net Assets
Year Ended June 30, 2011

	Restricted Net Assets			Unrestricted Net Assets		
	Investment in Property and Equipment	Disposition Proceeds	Capital Purchases	Board Designated Self-insurance Reserve	Unrestricted Net Assets	Total Unrestricted
Balance, Beginning	\$ 28,448,687	\$ 42,458	\$ 22,113	\$ 62,887	\$ 532,428	\$ 595,315
Decrease in unrestricted net assets before transfers	-	-	-	-	(2,225,615)	(2,225,615)
Transfers:						
Operating expenses	-	-	8,800	6,997	(15,797)	(8,800)
Depreciation expense	(2,189,796)	-	-	-	2,189,796	2,189,796
Interest income	-	42	50	93	(185)	(92)
Revenues earned under Act 44	-	-	-	-	-	-
Purchase of property and equipment under Act 26	137,317	-	-	-	-	-
Purchase of property and equipment under disposition proceeds	42,094	(42,094)	-	-	-	-
Purchase of property and equipment under Act 44	-	-	-	-	-	-
Capital grant funding:						
Federal government	10,397,767	-	-	-	-	-
Commonwealth of Pennsylvania	2,058,133	-	-	-	-	-
Local share	-	-	-	-	-	-
Reimbursement of prior year expenditures	-	-	-	-	-	-
Disposed assets	-	-	-	-	-	-
Transfer of restricted proceeds from disposal of capital assets	-	2,940	-	-	(2,940)	(2,940)
Balance, Ending	\$ 38,894,202	\$ 3,346	\$ 30,963	\$ 69,977	\$ 477,687	\$ 547,664

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Expenses

Year Ended June 30, 2012

Fixed Route Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ 2,388,895	\$ -	\$ -	\$ 2,388,895
2. Other salaries and wages	356,585	543,316	303,195	1,203,096
3. Fringe benefits	1,897,479	375,501	209,547	2,482,527
4. Services	-	85,520	47,243	132,763
5. Fuel and lubricants	1,221,396	-	-	1,221,396
6. Tires and tubes	-	63,401	-	63,401
7. Other materials and supplies	-	632,078	51,045	683,123
8. Utilities	-	-	78,216	78,216
9. Casualty and liability costs	-	-	252,509	252,509
10. Taxes	-	-	-	-
11. Purchased transportation	-	-	-	-
12. Misc. expenses	-	-	80,896	80,896
13. Expense transfers	-	-	-	-
14. Total System Expenses	\$ 5,864,355	\$ 1,699,816	\$ 1,022,651	8,586,822

Non-Fixed Route ADA Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	-
2. Other salaries and wages	-	-	40,279	40,279
3. Fringe benefits	-	-	27,564	27,564
4. Services	-	-	5,817	5,817
5. Fuel and lubricants	-	-	-	-
6. Tires and tubes	-	-	-	-
7. Other materials and supplies	-	-	1,818	1,818
8. Utilities	-	-	1,937	1,937
9. Casualty and liability costs	-	-	821	821
10. Taxes	-	-	-	-
11. Purchased transportation	555,913	82,357	153,628	791,898
12. Misc. expenses	-	-	666	666
13. Expense transfers	-	-	-	-
14. Total System Expenses	\$ 555,913	\$ 82,357	\$ 232,530	870,800

Non-Fixed Route Paratransit Expenses	Vehicle Operations	Maintenance	General Administration	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	-
2. Other salaries and wages	-	-	276,815	276,815
3. Fringe benefits	-	-	189,433	189,433
4. Services	-	-	39,979	39,979
5. Fuel and lubricants	-	-	-	-
6. Tires and tubes	-	-	-	-
7. Other materials and supplies	-	-	12,492	12,492
8. Utilities	-	-	13,312	13,312
9. Casualty and liability costs	-	-	5,644	5,644
10. Taxes	-	-	-	-
11. Purchased transportation	3,414,363	505,832	943,570	4,863,765
12. Misc. expenses	-	-	4,571	4,571
13. Expense transfers	-	-	-	-
14. Total System Expenses	\$ 3,414,363	\$ 505,832	\$ 1,485,816	5,406,011

Total Fixed Route and Non-Fixed Route Expenses

\$ 14,863,633

Red Rose Transit Authority
Schedule of Other Transportation Expenses
Year Ended June 30, 2012

Fixed Route Expenses	Non-Shared Ride Paratransit	MATP Non-Shared Ride Paratransit	MATP Mileage Reimbursement	JARC	Total
1. Operating wages and salaries	\$ -	\$ -	\$ -	\$ -	\$ -
2. Other salaries and wages	-	50,172	-	3,355	53,527
3. Fringe benefits	-	34,334	-	2,296	36,630
4. Services	-	7,246	-	485	7,731
5. Fuel and lubricants	-	-	-	-	-
6. Tires and tubes	-	-	-	-	-
7. Other materials and supplies	-	2,265	-	151	2,416
8. Utilities	-	2,413	-	161	2,574
9. Casualty and liability costs	-	1,023	-	68	1,091
10. Taxes	-	-	-	-	-
11. Purchased transportation	-	854,584	-	65,946	920,530
12. Misc. expenses	-	829	-	55	884
13. Expense transfers	-	-	-	-	-
14. Mileage reimbursement	-	-	82,505	-	82,505
15. MATP - Non-Public Service Admin Reimbursement	-	-	9,488	-	9,488
16. Total System Expenses	\$ -	\$ 952,866	\$ 91,993	\$ 72,517	\$ 1,117,376

Red Rose Transit Authority

Reconciliation of Operating Expenses to Financial Statements Prepared
Under Accounting Principles Generally Accepted
in the United States of America

Year Ended June 30, 2012

Operating expenses reported on Schedule of Fixed Route and Non-Fixed Route Expenses	\$ 14,863,633
Operating expenses reported on Schedule of Other Transportation Expenses	<u>1,117,376</u>
Total Operating Expenses per Schedules	15,981,009
Reconciling items:	
Interest capitalized to equity by Red Rose Transit Authority	1,532
Shared Ride Co-pays netted against vendor invoices	(263,312)
Increase in pension asset	(2,831)
Life insurance reserve adjustment	(6,000)
Miscellaneous	<u>(5)</u>
	<u>(270,616)</u>
Operating Expenses Reported on the Statement of Revenues, Expenses, and Changes in Net Assets	<u><u>\$ 15,710,393</u></u>

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Revenues

Year Ended June 30, 2012

Fixed Route Revenue	Urban	Rural	Total
1. Passenger fares	\$ 2,371,900	\$ -	\$ 2,371,900
2. Advertising	89,580	-	89,580
3. Charter	-	-	-
4. Route guarantees	-	-	-
Other Revenue			
5. Interest/investment income	6,644	-	6,644
6. Misc/safety	96,048	-	96,048
7. AAA bus agency	-	-	-
8. Terminal vending	-	-	-
9. Total Fixed Route Revenues	2,564,172	-	2,564,172
10. Gain on disposal	-	-	-
11. Interest on capital	-	-	-
12. Total Non-Applied Reconciling Items	-	-	-
	\$ 2,564,172	\$ -	2,564,172

Non-Fixed Route Revenue	ADA Paratransit	Shared Ride 65+ Lottery Sponsored	Standard Shared Ride Under 65	Total
1. Passenger fares	\$ 103,146	\$ 114,736	\$ 45,430	263,312
2. Advertising	-	-	-	-
3. Shared-Ride Lottery trip reimbursement	-	1,456,096	-	1,456,096
4. PwD trip reimbursement	-	-	200,262	200,262
5. AAA	-	118,057	77,761	195,818
6. MH/MR - Shared-Ride fare structure	-	10,266	1,236,071	1,246,337
7. W2W - Shared-Ride fare structure	-	-	-	-
8. MATP -Shared-Ride fare structure	-	-	1,678,733	1,678,733
Other agencies/third party sponsors				
9. Smaller Agencies in Lancaster	-	29,470	463,581	493,051
10. Identify	-	-	-	-
Other revenue				
11. Shared-Ride fare structure	-	-	-	-
12. Misc Income	-	-	4,419	4,419
13. Interest	-	-	945	945
14. Identify	-	-	-	-
15. Interest/investment income	-	-	-	-
16. Total Non-Fixed Route Revenue	\$ 103,146	\$ 1,728,625	\$ 3,707,202	5,538,973
Total Fixed Route and Non-Fixed Route Revenues				\$ 8,103,145

Red Rose Transit Authority
 Schedule of Other Transportation Revenues
 Year Ended June 30, 2012

Other Transportation Revenue	Total
Contract Revenue	
1. MATP - Contract Rate Paratransit Revenue	\$ 956,190
2. W2W - Contract Rate Paratransit Revenue	-
3. JARC	63,946
4. Other	-
5. Other	-
Other Revenue	
6. MATP - Mileage Reimbursement	92,315
7. W2W - Other	-
8. Other	-
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	\$ 1,112,451

Red Rose Transit Authority

Reconciliation of Operating Revenues to Financial Statements Prepared
Under Accounting Principles Generally Accepted
in the United States of America

Year Ended June 30, 2012

Operating revenues reported on Schedule of Fixed Route and Non-Fixed Route Expenses	\$ 8,103,145
Operating revenues reported on Schedule of Other Transportation Expenses	<u>1,112,451</u>
Total Operating revenues per Schedules	9,215,596
Reconciling items:	
Interest income	(7,670)
Shared Ride Co-pays netted against vendor invoices	(263,312)
State Senior Citizens Program included in non-operating revenues	440,646
Interest capitalized to equity by Red Rose Transit Authority	80
Miscellaneous	<u>(2)</u>
	<u>169,742</u>
Operating Revenues Reported on the Statement of Revenues, Expenses, and Changes in Net Assets	<u><u>\$ 9,385,338</u></u>

Red Rose Transit Authority

Schedule of Fixed Route and Non-Fixed Route Subsidies

Year Ended June 30, 2012

Fixed Route Subsidies	Fixed Route Urban	Fixed Route Rural	Total
1. Federal operating grant	\$ 1,795,000	\$ -	\$ 1,795,000
2. Federal capital grant to fund preventative maintenance costs	-	-	-
3. Federal capital grant to fund capital costs of contracting	-	-	-
4. Federal capital grant to fund associated capital maintenance costs	-	-	-
5. Other federal grants for operating costs	-	-	-
6. Subtotal Federal Subsidy	1,795,000	-	1,795,000
7. Act 44 Section 1513 Operating Grant amount charged - state share (prior years)	1,134,079	-	1,134,079
8. Act 44 Section 1513 Operating Grant amount charged - state share (current year)	2,841,110	-	2,841,110
9. Act 3 ASG grant amount charged - state share	-	-	-
10. Act 3 BSG grant amount charged - state share	-	-	-
11. Special Operating Grants - state share	-	-	-
12. Subtotal State Subsidy	3,975,189	-	3,975,189
13. Act 44 Section 1513 Operating Grant amount charged - local share (prior years)	-	-	-
14. Act 44 Section 1513 Operating Grant amount charged - local share (current year)	253,993	-	253,993
15. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - advertising source	-	-	-
16. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - private source	-	-	-
17. Act 3 ASG grant amount charged - local share	-	-	-
18. Act 3 BSG grant amount charged - local share	-	-	-
19. Special Operating Grants - local share	-	-	-
20. Subtotal Local Subsidy	253,993	-	253,993
21. Grand Total Subsidy	\$ 6,024,182	\$ -	6,024,182

Red Rose Transit Authority

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

Year Ended June 30, 2012

Non-Fixed Route Subsidies	ADA Paratransit	Non-ADA Paratransit	Total
1. Federal operating grant	\$ 411,078	\$ -	411,078
2. Federal capital grant to fund preventative maintenance costs	-	-	-
3. Federal capital grant to fund capital costs of contracting	-	-	-
4. Federal capital grant to fund associated capital maintenance costs	-	-	-
5. Other federal grants for operating costs	-	-	-
6. Federal Shared-Ride subsidy	-	-	-
7. Subtotal Federal Subsidy	411,078	-	411,078
8. Act 44 Section 1513 Operating Grant amount charged - state share (prior years)	62,518	-	62,518
9. Act 44 Section 1513 Operating Grant amount charged - state share (current year)	291,058	-	291,058
10. Act 3 ASG grant amount charged - state share	-	-	-
11. Act 3 BSG grant amount charged - state share	-	-	-
12. Special Operating Grants - state share	-	-	-
13. State Shared-Ride subsidy	-	-	-
14. Subtotal State Subsidy	353,576	-	353,576
15. Act 44 Section 1513 Operating Grant amount charged - local share (prior years) - municipal source	-	-	-
16. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - municipal source	3,000	-	3,000
17. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - advertising source	-	-	-
18. Act 44 Section 1513 Operating Grant amount charged - local share (current year) - private source	-	-	-
19. Act 3 ASG grant amount charged - local share	-	-	-
20. Act 3 BSG grant amount charged - local share	-	-	-
21. Special Operating Grants - local share	-	-	-
22. Local Shared-Ride subsidy	-	-	-
23. Subtotal Local Subsidy	3,000	-	3,000
24. Grand Total Subsidy	\$ 767,654	\$ -	767,654
Total Fixed Route and Non-Fixed Route Expenses			\$ 6,791,836

Red Rose Transit Authority

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

Year Ended June 30, 2012

Reconciliation to Financial Statement Prepared
Under Accounting Principles Generally Accepted
in the United States of America

Subsidies reported on the Schedule of Fixed Route and Non-Fixed Expenses	<u>\$ 6,791,836</u>
Per financial statements:	
Operating revenues - State Senior Citizens Program	\$ 440,646
Nonoperating revenues - Federal government	2,206,078
Nonoperating revenues - Commonwealth of Pennsylvania	3,888,119
Nonoperating revenues - Local government	<u>256,993</u>
Subsidies Reported on the Statement of Revenues, Expenses, and Changes in Net Assets	<u>\$ 6,791,836</u>

Red Rose Transit Authority
Schedule of LEG - Budget Summary
June 30, 2012

	Fixed Route		Non-Fixed Route		Non-Public Other Transportation	Total
	Urban	Rural	ADA Paratransit Urban	Shared Ride Standard Urban		
1. Total Operating Expenses	\$ 8,588,354	\$ -	\$ 870,800	\$ 5,406,011	\$ 1,117,376	\$ 15,982,541
2. Total Revenue	2,564,172	-	103,146	5,435,827	1,112,451	9,215,596
3. Operating Deficit	(6,024,182)	-	(767,654)	29,816	(4,925)	(6,766,945)
4. Total Subsidy	6,024,182	-	767,654	-	-	6,791,836
5. Applied Operating Balance	-	-	-	29,816	(4,925)	24,891
Non-Applied Reconciling Items						
6. Total Non-Applied Expense Items	-	-	-	-	-	-
7. Total Non-Applied Revenue Items	-	-	-	-	-	-
8. Total Non-Applied Subsidy Items	-	-	-	-	-	-
9. Operating Results per Audit	\$ -	\$ -	\$ -	\$ 29,816	\$ (4,925)	\$ 24,891

Red Rose Transit Authority
 Schedule of Local Match Sources and Carryover
 Year Ended June 30, 2012

Schedule of Local Match Carryover

Local match available June 30, 2011	\$ -	
Local match provided during year	<u>256,993</u>	
		256,993
Local match expended -		
Section 1513 local match expended	<u>256,993</u>	
		<u>256,993</u>
Ending Balance June 30, 2012		<u><u>\$ -</u></u>

Schedule of Local Match Sources

Local match sources -		
County of Lancaster		<u><u>\$ 256,993</u></u>

Red Rose Transit Authority

Schedule S5 - Urban Section 1513 Program Carryover

June 30, 2012

	Section 1513 State Grant	Section 1513 Required Local Match	Section 1513 Total
A. FY 2011-12 Section 1513 URBAN Grant Agreement	\$ 4,406,458	\$ 256,993	\$ 4,663,451
Urban Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2012			
1. Section 1513 fund balance as of June 30, 2011	\$ 1,196,597	\$ -	\$ 1,196,597
2. Section 1513 funds received for FY 2011-12	4,406,458	256,993	4,663,451
3. PTAF Section 1513 funds received for FY 2011-12 (applicable to SEPTA and PAAC)	-	-	-
4. Total Section 1513 funds received for FY 2011-12 (Line 2+3 must agree to above)	4,406,458	256,993	4,663,451
5. Interest income earned on Section 1513 funds in FY 2011-12	-	-	-
6. Total Section 1513 Funds available in FY 2010-11 (Line 1+4+5)	5,603,055	256,993	5,860,048
7. Section 1513 funds used for Urban fixed route operating expenses in FY 2011-12	3,975,189	253,993	4,229,182
8. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2011-12	353,576	3,000	356,576
9. Section 1513 used for rural fixed route operating expenses in FY 2011-12	-	-	-
10. Section 1513 funds used for rural non-fixed route operating expenses in FY 2011-12	-	-	-
11. Section 1513 funds used for Urban capital costs in FY 2011-12 (waiver required)	-	-	-
12. Section 1513 funds used for rural capital costs in FY 2011-12 (waiver required)	-	-	-
13. Total Section 1513 used in FY 2011-12 (line 7+8+9+10+11+12)	4,328,765	256,993	4,585,758
14. Section 1513 fund balance as of June 30, 2012 (Line 6 Minus 13)	\$ 1,274,290	\$ -	\$ 1,274,290

Red Rose Transit Authority

Schedule S5 - Urban Section 1513 Program Carryover (continued)

June 30, 2012

Lines B 15 to B 26 are not applicable.

	Section 1513 State Grant	Section 1513 Required Local Match	Section 1513 Total
C. Total Agency Section 1513 Grant Utilization for Fiscal Year Ended June 30, 2012			
27. Section 1513 fund balance as of June 30, 2011	\$ 1,196,597	\$ -	\$ 1,196,597
28. Section 1513 funds received for FY 2011-12	4,406,458	256,993	4,663,451
29. PTAF Section 1513 funds received for FY 2011-12 (applicable to SEPTA and PAAC)	-	-	-
30. Total Section 1513 funds received for FY 2011-12 (Line 28+29)	4,406,458	256,993	4,663,451
31. Interest income earned on Section 1513 funds in FY 2011-12	-	-	-
32. Total Section 1513 Funds available in FY 2010-11 (Line 27+30+31)	5,603,055	256,993	5,860,048
33. Section 1513 funds used for Urban fixed route operating expenses in FY 2011-12	3,975,189	253,993	4,229,182
34. Section 1513 funds used for Urban non-fixed route operating expenses in FY 2011-12	353,576	3,000	356,576
35. Section 1513 funds used for rural operating expenses FY 2011-12	-	-	-
36. Section 1513 funds used for rural non-fixed route operating expenses in FY 2011-12	-	-	-
37. Section 1513 funds used for urban capital costs in FY 2011-12 (waiver required)	-	-	-
38. Section 1513 funds used for rural capital costs in FY 2011-12 (waiver required)	-	-	-
39. Total Section 1513 used in FY 2011-12 (Line 33+34+35+36+37+38)	4,328,765	256,993	4,585,758
Section 1513 fund balance as of June 30, 2012 (Line 32 Minus 39)	\$ 1,274,290	\$ -	\$ 1,274,290

Reconciliation of Section 1513 funds used for operating in FY 2011-12 to financial statements:

Per financial statements:

Operating revenues - State Senior Citizens Program	\$ 440,646
Nonoperating revenues - Commonwealth of Pennsylvania	3,888,119
Section 1513 Funds Used for Operating in FY 2011-12	\$ 4,328,765

Red Rose Transit Authority

Shared Ride Expense Allocation Worksheet

Year Ended June 30, 2012

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

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

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

Shared-Ride Expense Allocation Worksheet

		% Allocated to Fixed Route	% Allocated to Paratransit (ADA)	% Allocated to Shared-Ride	% Allocated to Non-Public	Basis for Allocation
1	Operators salaries and wages	- %	- %	- %	- %	Other
2	Other salaries and wages	- %	10.73 %	73.73 %	15.54 %	Other
3	Fringe benefits	- %	10.73 %	73.73 %	15.54 %	Other
4	Services	- %	10.73 %	73.73 %	15.54 %	Other
5	Fuel and lubricants	- %	- %	- %	- %	Other
6	Tires and tubes	- %	- %	- %	- %	Other
7	Other materials and supplies	- %	10.73 %	73.73 %	15.54 %	Other
8	Utilities	- %	10.73 %	73.73 %	15.54 %	Other
9	Casualty and liability costs	- %	10.73 %	73.73 %	15.54 %	Other
10	Taxes	- %	- %	- %	- %	Other
11	Purchased transportation	- %	10.73 %	73.73 %	15.54 %	Direct
12	Miscellaneous expense	- %	10.73 %	73.73 %	15.54 %	Other
13	Expense transfers	- %	- %	- %	- %	Other