RRTA

RED ROSE TRANSIT AUTHORITY

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Financial Statements and Supplementary Information

June 30, 2016 and 2015

rkl LLP

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June 30, 2016 and 2015

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Red Rose Transit Authority (the Authority) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

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Basis for Qualified Opinion on the 2015 Financial Statements

For the year ended June 30, 2015, sufficient information was not provided timely enough to allow the Authority to fully adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* The effects on the financial statements of this item is not reasonably determinable.

Qualified Opinion on the 2015 Financial Statements

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Red Rose Transit Authority as of June 30, 2015, 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.

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, 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 and the required supplementary information as listed in the table of contents and on pages 4 to 10 and pages 42 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 2, 2016, 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 2, 2016
Lancaster, Pennsylvania

The following discussion and analysis of the Red Rose Transit Authority's (RRTA or the Authority) financial performance provides an introduction to the Authority's basic financial statements for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 11.

Authority Activities and Highlights

- The Authority's net position increased approximately $1,436,000 for the year ended June 30, 2016, compared to a decrease of approximately $1,170,000 and an increase of approximately $264,000 for the years ended June 30, 2015 and 2014, 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 $4,655,000, $2,169,000, and $1,724,000 for the years ended June 30, 2016, 2015, and 2014, respectively.

- The Authority's operating revenues decreased approximately $7,809,000 or 83.5% for the year ended June 30, 2016, increased approximately $302,000 or 3.3% for the year ended June 30, 2015, and increased approximately $119,000 or 1.3% for the year ended June 30, 2014. The decrease is primarily the result of the restructuring of the Authority's activities per the agreement with South Central Transit Authority (SCTA) as described in Note 20 of the financial statements. For the years ended June 30, 2016, 2015, and 2014, passenger fares approximated $-0-, $4,594,000, and $4,359,000, respectively.

- The Authority's operating expenses decreased approximately $10,398,000 or 53.8% for the year ended June 30 2016, and increased approximately $1,601,000 or 9.0% for the year ended June 30, 2015, and decreased approximately $1,680,000 or 8.7% for the year ended June 30, 2014. The decrease was largely due to the transfer of purchased transportation costs to the SCTA, in accordance with the agreement described in Note 20 of the financial statements.

- The Authority provided 2,207,250 passenger trips during fiscal year 2016, compared to 2,235,494 and 2,188,679 in the fiscal years 2015 and 2014. This represents a decrease of 1.3% for 2016, compared to an increase in system ridership of 2.1% for 2015. This included a 0.8% decrease in passengers using the Authority's fixed route system. From 2015 to 2016, passenger trips decreased by 28,244 trips and from 2014 to 2015, passenger trips increased by 46,815 trips.

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.

Overview of the Financial Statements (continued)

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

Statement of Net Position. The statement of net position presents the financial position of the Authority. It presents information on RRTA's assets and deferred outflows of resources and liabilities and deferred inflows of resources. RRTA'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.

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 concerning the Authority's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. This required supplementary information can be found on pages 42 to 46 of this report.

Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$41,046,000, \$39,610,000, and \$40,780,000 as of June 30, 2016, 2015, and 2014, respectively.

Financial Analysis (continued)

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

	2016	2015	2014
Assets			
Current assets	**$ 1,503,158**	$ 5,974,882	$ 4,633,678
Capital assets, net	**41,315,000**	39,649,461	40,663,258
Total Assets	**42,818,158**	45,624,343	45,296,936
Deferred Outflow of Resources - Pension	**308,086**	345,156	431,446
Liabilities			
Current liabilities	**1,058,616**	5,576,111	4,244,159
Postemployment benefit liability	**174,232**	-	-
Net pension liability	**720,502**	783,108	704,293
Total Liabilities	**1,953,350**	6,359,219	4,948,452
Deferred Inflow of Resources - Pension	**126,895**	-	-
Net Position			
Investment in capital assets	**41,315,000**	39,649,461	40,663,258
Restricted	**77,340**	35,860	21,856
Unrestricted	**(346,341)**	(75,041)	94,816
Total Net Position	**$ 41,045,999**	$ 39,610,280	$ 40,779,930

By far the largest portion of the Authority's net assets 100.7%, 100.1%, and 99.7% as of June 30, 2016, 2015, and 2014, respectively, reflects its investment in capital assets (e.g., land and land improvements, buildings and improvements, revenue vehicles and equipment, service vehicles and equipment, furniture and office equipment, and miscellaneous revenue 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 restricted portion of the Authority's net assets at June 30, 2016, 2015, and 2014 represents resources that are subject to external restrictions on how they may be used. The remaining balance (deficit) of approximately $(346,000), $(75,000), and $95,000 at June 30, 2016, 2015, and 2014, respectively, represents unrestricted surplus (deficit).

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:

	2016	2015	2014
Operating Revenues			
Passenger fares	**$ -**	$ 4,594,457	$ 4,359,000
Government fare programs	**-**	4,068,262	3,860,777
Other operating revenues	**1,541,636**	687,867	829,306
Total Operating Revenues	**1,541,636**	9,350,586	9,049,083
Operating Expenses			
Salaries and wages	**3,329,338**	3,769,261	4,198,226
Fringe benefits	**2,255,594**	2,917,973	1,771,352
Purchased transportation	**-**	5,884,061	5,809,128
Other operating expenses	**375,619**	3,556,947	2,828,917
Depreciation	**2,962,231**	3,193,014	3,112,419
Total Operating Expenses	**8,922,782**	19,321,256	17,720,042
Nonoperating Revenues			
Operating grants			
Federal government	**-**	1,875,351	2,733,573
Commonwealth of Pennsylvania Act 44 funds	**4,119,787**	4,656,906	3,813,525
Local governments	**-**	75,502	283,335
Interest income	**800**	44	777
Gain on disposal of capital assets	**41,498**	24,657	380,006
Total Nonoperating Revenues	**4,162,085**	6,632,460	7,211,216
Capital Grant Funding	**4,654,780**	2,168,560	1,724,084
Increase (Decrease) in Net Position	**$ 1,435,719**	$ (1,169,650)	$ 264,341

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. Effective July 1, 2015, these services were transferred to the SCTA. See Note 20.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets includes land and land improvements, buildings and improvements, revenue vehicles and equipment, service 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, 2016, 2015, and 2014, net of accumulated depreciation, amounted to approximately $41,315,000, $39,649,000, and $40,663,000, respectively. These amounts represent a net increase (decrease), including additions, deletions, and depreciation of approximately $1,666,000, $(1,014,000), and $(999,000) for the years ended June 30, 2016, 2015, and 2014 respectively.

	Capital Assets at June 30 (Net of Accumulated Depreciation)		
	2016	**2015**	**2014**
Land and land improvements	**$ 4,228,402**	$ 4,278,820	$ 4,075,111
Buildings and improvements	**27,607,195**	28,631,380	29,715,228
Revenue vehicles and equipment	**7,630,311**	4,694,392	5,411,928
Service vehicles and equipment	**-**	-	11,708
Furniture and office equipment	**777,524**	906,401	188,786
Miscellaneous revenue equipment	**1,071,568**	1,138,468	1,260,497
	$ 41,315,000	$ 39,649,461	$ 40,663,258

During the years ended June 30, 2016, 2015, and 2014, the Authority expended approximately $4,655,000, $2,179,000, and $2,114,000, respectively, on capital asset activities.

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

Debt Administration

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

The Authority has a $1,000,000 line of credit with a tax-free interest rate of 0.5% greater than prime. At June 30, 2016 and 2015, no amount was outstanding against the line of credit.

Additional information related to the Authority's debt can be found in Note 9 of this report.

Economic Factors

This fiscal year represented the first full year of the merger of the administrative functions between RRTA and the Berks Area Regional Transportation Authority (BARTA) with the newly formed SCTA. With the merger, RRTA only employs the drivers and mechanics necessary to provide the fixed-route service within Lancaster County 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 RRTA. All new vehicles purchased for either fixed-route service or shared ride service are now owned by SCTA and leased back to RRTA to operate and maintain. Through the cost savings from the merger and increased operating funds from the state, RRTA added a new service this fiscal year. The new service was aimed at providing access to two new high employment warehouse operations at opposite ends of the county, namely, Urban Outfitters to the east and Nordstrom's to the west.

For the fiscal year, overall ridership decreased by 1.3% with fixed-route ridership decreasing 0.8% and the shared ride ridership decreasing 4.2%. One of the major reasons for the decrease was due to the blizzard that resulted in over 30" of snow and RRTA having to shut down service for three days, otherwise ridership would have been close to increasing over the prior fiscal year. This had a greater effect on the shared ride service due to the nature of the ridership being mostly elderly and disabled. RRTA 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 7.1% increase in senior ridership for fixed-route and a 16.8% increase in shared ride senior ridership. Overall, there were positive signs that ridership is continuing to bounce back from the economic downturn experienced a few years ago.

With the economy improving, SCTA/RRTA took the opportunity to re-issue the request for proposal (RFP) to obtain a developer to build on top of the Queen Street Station Parking Garage. The RFP was issued in late spring and was successful in receiving one proposal to build low to moderate income housing along with a rooftop greenhouse project to grow commercial crops. It is expected that this project will take two years to fully finance and construct. SCTA/RRTA in turn will receive a development fee of roughly $500,000 or more for the air rights. These funds can then be used for either operating or capital improvements of the Authority. The Authority continues to maximize alternative revenue sources through the lease of space at the Queen Street Station, advertising revenue on the buses and shelters, and lease of space on the radio tower.

In terms of capital improvements, RRTA received ten new hybrid electric buses in October 2015 that replaced ten 2003 Opus buses that were beyond their useful life. Another four new hybrid electric buses were delivered near the end of the fiscal year to replace the last four of the 2003 Opus buses with a total of 19 out of a total fleet of 42 buses being hybrid electric. These buses are operating more efficiently with an 8% overall reduction in fuel usage for the fiscal year even though operating miles increased 6.2%. It is expected that another eight buses will be replaced next fiscal year which will further add to the reduction in diesel fuel usage and corresponding cost savings. SCTA has also continued to replace shared ride vehicles on a regular basis with 17 vans being replaced during the fiscal year which keeps operating and maintenance costs down for the contracted carrier that provides this service with Authority vehicles.

One of the major projects planned in Lancaster is the rehabilitation of the Queen Street Station, Phase I facility, which is now over ten years old and showing great signs of unexpected wear and tear of the pavement drive area. Federal capital funds have been programmed for this project and the PADOT is funding the design and engineering for this project.

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 $1.3163 per gallon the first year and $1.5055 the second year compared to $2.08 per gallon in FY 15 and $3.08 in FY 14. This translates into operating savings of nearly $222,000 for an entire fiscal year. SCTA is continuing to explore other operating savings from the merger of the systems from parts purchases to health care. Other efforts include the annual review of potential route and schedule changes to improve the efficiency and effectiveness of the fixed-route 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.

	June 30, 2016	June 30, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 215,137**	$ 401,990
Cash and cash equivalents, restricted	**769,547**	4,642,512
Accounts receivable, including amounts due from South Central Transit Authority; 2016 $316,680; 2015 $-0-	**367,907**	428,332
Inventories - parts	**-**	252,951
Prepaid expenses	**83,232**	87,671
Capital grants receivable	**67,335**	161,426
Total Current Assets	**1,503,158**	5,974,882
Capital Assets		
Capital assets not being depreciated	**3,858,875**	3,858,875
Capital assets being depreciated, net	**37,456,125**	35,790,586
Capital Assets, Net	**41,315,000**	39,649,461
Total Assets	**42,818,158**	45,624,343
Deferred Outflow of Resources - Pension	**308,086**	345,156
Total Assets and Deferred Outflow of Resources	**43,126,244**	45,969,499
Liabilities		
Current Liabilities		
Accounts payable - operating	**13,894**	614,556
Accrued expenses		
Wages	**40,791**	14,544
Vacation wages	**177,863**	170,240
Payroll withholdings	**56,521**	134,259
Unearned Commonwealth of Pennsylvania Act 44 revenue	**-**	4,119,787
Unearned Commonwealth of Pennsylvania Act 49 revenue	**516,618**	495,840
Other unearned revenue	**252,929**	26,885
Total Current Liabilities	**1,058,616**	5,576,111
Long-Term Liabilities		
Postemployment benefit liability	**174,232**	-
Net pension liability	**720,502**	783,108
Total Liabilities	**1,953,350**	6,359,219
Deferred Inflow of Resources - Pension	**126,895**	-

See accompanying notes.

	June 30, 2016	June 30, 2015
Net Position		
Net Position		
Investment in capital assets	**41,315,000**	39,649,461
Restricted for		
Disposition proceeds	**77,340**	25,977
Capital purchases	**-**	9,883
	77,340	35,860
Unrestricted net deficit	**(346,341)**	(75,041)
Total Net Position	**$ 41,045,999**	$ 39,610,280

See accompanying notes.

Red Rose Transit Authority

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30, 2016	2015
Operating Revenues		
Purchased service revenue	**$ 1,541,636**	$ -
Passenger fares	**-**	4,594,457
State Medical Assistance Transportation Program	**-**	2,298,760
State Shared Ride Program	**-**	1,769,502
Other contract revenue	**-**	1,774
Advertising	**-**	153,114
Miscellaneous income	**-**	532,979
Total Operating Revenues	**1,541,636**	9,350,586
Operating Expenses		
Salaries and wages	**3,329,338**	3,769,261
Fringe benefits	**2,255,594**	2,917,973
Services	**30,202**	1,332,267
Fuel and lubricants	**-**	828,727
Tires and tubes	**-**	67,732
Other materials and supplies	**(2,399)**	702,091
Utilities	**-**	184,320
Casualty and liability	**301,706**	318,006
Purchased transportation	**-**	5,884,061
Miscellaneous expense	**46,110**	123,804
Depreciation	**2,962,231**	3,193,014
Total Operating Expenses	**8,922,782**	19,321,256
Loss from Operations	**(7,381,146)**	(9,970,670)
Nonoperating Revenues		
Operating grants		
Federal government	**-**	1,875,351
Commonwealth of Pennsylvania Act 44 funds	**4,119,787**	4,656,906
Local governments	**-**	75,502
Total Government Subsidies for Operations	**4,119,787**	6,607,759
Interest income	**800**	44
Gain on disposal of capital assets	**41,498**	24,657
Total Nonoperating Revenues	**4,162,085**	6,632,460
Loss Before Capital Grant Funding	**(3,219,061)**	(3,338,210)

See accompanying notes.

	Years Ended June 30, 2016	2015
Capital Grant Funding		
Federal government	**3,954,820**	1,140,927
State government	**681,997**	1,009,043
Local governments and other	**17,963**	18,590
Total Capital Grant Funding	**4,654,780**	2,168,560
Increase (Decrease) in Net Position	**1,435,719**	(1,169,650)
Net Position, Beginning of Year	**39,610,280**	40,779,930
Net Position, End of Year	**$ 41,045,999**	$ 39,610,280

See accompanying notes.

	Years Ended June 30, 2016	2015
Cash Flows from Operating Activities		
Cash received from customers	**$ 1,828,105**	$ 8,768,740
Cash payments to suppliers for goods and services	**(2,352,234)**	(11,333,994)
Cash payments to employees for services	**(3,719,866)**	(4,327,735)
Other operating cash receipts	**-**	532,979
Net Cash Used in Operating Activities	**(4,243,995)**	(6,360,010)
Cash Flows Provided by Noncapital Financing Activities		
Receipts from operating and planning grants	**-**	7,783,695
Cash Flows from Capital and Related Financing Activities		
Receipts from capital grants	**4,769,649**	2,056,580
Receipts from sale of capital assets	**68,508**	24,657
Purchase of capital assets	**(4,654,780)**	(2,226,684)
Net Cash Provided by (Used in) Capital and Related Financing Activities	**183,377**	(145,447)
Cash Flows Provided by Investing Activities		
Interest income received	**800**	44
Net Increase (Decrease) in Cash and Cash Equivalents	**(4,059,818)**	1,278,282
Cash and Cash Equivalents, Beginning of Year	**5,044,502**	3,766,220
Cash and Cash Equivalents, End of Year	**$ 984,684**	$ 5,044,502
Cash and Cash Equivalents is Comprised of the Following on the Statement of Net Position		
Cash and cash equivalents	**$ 215,137**	$ 401,990
Cash and cash equivalents, restricted	**769,547**	4,642,512
	$ 984,684	$ 5,044,502

See accompanying notes.

	Years Ended June 30, 2016	2015
Reconciliation of Loss from Operations to Net Cash Used in Operating Activities		
Loss from operations	**$ (7,381,146)**	$ (9,970,670)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	**2,962,231**	3,193,014
(Increase) decrease in assets		
Accounts receivable	**60,425**	(48,867)
Inventories	**252,951**	78,705
Prepaid expenses	**4,439**	125
Decrease in deferred outflows of resources - pension	**37,070**	86,290
Increase in deferred inflows of resources - pension	**126,895**	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**(644,530)**	222,578
Other unearned revenue	**226,044**	-
Postemployment benefit liability	**174,232**	-
Net pension liability	**(62,606)**	78,815
Net Cash Used in Operating Activities	**$ (4,243,995)**	$ (6,360,010)

Note 1 - Nature of Activity

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

The Authority operates the fixed route service, which provides scheduled bus service on fixed routes.

The Authority is funded through a purchase of service agreement with South Central Transit Authority (SCTA).

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 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. Through June 30, 2015 the principal operating revenues of the Authority were charges to customers for transportation services. Effective July 1, 2015 the Authority leased all of its transportation operations to SCTA. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are operating, planning, and capital grants from the federal, state, and local government’s interest income, and gain on disposal of capital assets. The principal nonoperating expenses of the Authority are interest expense and loss on 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 or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

Restricted Assets

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

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for 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 was $-0- at June 30, 2016 and 2015.

Note 2 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Net Position, Revenues, and Expenses (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:

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 method.

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

Capital Assets

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

Land improvements	5 years
Buildings and improvements	30 years
Revenue vehicles and equipment	5 to 12 years
Service vehicles and equipment	5 to 8 years
Shop and garage equipment	5 to 10 years
Furniture and office equipment	5 to 10 years
Miscellaneous revenue equipment	5 to 15 years

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Capital Assets (continued)

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, 2016 and 2015.

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.

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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Capital Grants

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

Advertising Costs

Advertising costs are expensed as incurred.

Employee Benefits

The Authority participated in two pension plans covering substantially all employees. Pension plan expense is determined as specified in each plan. The Authority's policy is to fund all required pension costs. Effective July 1, 2015, the assets, liabilities, and deferred inflows/outflows of the Salaried Employees' Pension Plan, along with all related employees, were transferred to SCTA.

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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement amends and expands certain disclosures and required supplementary information for other postemployment benefit (OPEB) plans. GASB statement No. 74 is effective for periods beginning after June 15, 2016.

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

In December 2015, the GASB issued Statement No, 79, *Certain External Investment Pools and Pool Participants*. The provisions of this statement permit qualifying external investment pools and pool participants to measure investments and amortized cost for financial reporting purposes. GASB Statement No. 79 is effective for periods beginning after June 15, 2015.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement amends and clarifies certain pension disclosures promulgated by Statements No. 67, 68, and 73. Statement No. 82 is effective for periods beginning after June 15, 2016.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

The Authority is currently evaluating what effect the adoption of these GASB 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

Cash Deposits

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

As of June 30, 2016 and 2015, the carrying amounts of the Authority's bank deposits were $981,205 and $5,033,508, respectively, and the corresponding bank balances were $1,071,193 and $5,096,359, respectively, of which $709,872 and $4,846,359, respectively, were exposed to custodial risk because they were uninsured, but are collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. The Authority also maintained petty cash on hand totaling $3,479 at June 30, 2016 and 2015.

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:

	2016	**2015**
Commonwealth of Pennsylvania Act 44 funds	**$ -**	$ 4,119,787
Commonwealth of Pennsylvania Act 49 funds	**516,618**	495,840
Other unearned revenue	**252,929**	26,885
	$ 769,547	$ 4,642,512

Note 7 - Capital Grants Receivable

At June 30, 2016 and 2015, $67,335 and $161,426, respectively, are due from the Commonwealth of Pennsylvania.

Note 8 - Capital Assets

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	$ 3,858,875	$ -	$ -	$ 3,858,875
Capital Assets Being Depreciated				
Land improvements	935,227	17,968	-	953,195
Buildings and improvements	35,555,809	93,200	-	35,649,009
Revenue vehicles and equipment	18,733,852	4,268,335	3,336,461	19,665,726
Service vehicles and equipment	371,282	-	-	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	2,516,461	146,005	38,995	2,623,471
Miscellaneous revenue equipment	2,883,476	129,272	500	3,012,248
Total Capital Assets Being Depreciated	61,486,963	4,654,780	3,375,956	62,765,787
Accumulated Depreciation				
Land improvements	515,282	68,386	-	583,668
Buildings and improvements	6,924,429	1,117,385	-	8,041,814
Revenue vehicles and equipment	14,039,460	1,306,296	3,310,341	12,035,415
Service vehicles and equipment	371,282	-	-	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,610,060	274,273	38,386	1,845,947
Miscellaneous revenue equipment	1,745,008	195,891	219	1,940,680
Accumulated Depreciation	25,696,377	2,962,231	3,348,946	25,309,662
Capital Assets Being Depreciated, Net	35,790,586	1,692,549	27,010	37,456,125
Capital Assets, Net	$ 39,649,461	$ 1,692,549	$ 27,010	$ 41,315,000

Note 8 - Capital Assets (continued)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land	$ 3,858,875	$ -	$ -	$ 3,858,875
Capital Assets Being Depreciated				
Land improvements	699,393	235,834	-	935,227
Buildings and improvements	35,523,353	32,456	-	35,555,809
Revenue vehicles and equipment	18,501,140	928,313	695,601	18,733,852
Service vehicles and equipment	371,282	-	-	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,640,395	903,123	27,057	2,516,461
Miscellaneous revenue equipment	2,914,374	79,491	110,389	2,883,476
Total Capital Assets Being Depreciated	60,140,793	2,179,217	833,047	61,486,963
Accumulated Depreciation				
Land improvements	483,157	32,125	-	515,282
Buildings and improvements	5,808,125	1,116,304	-	6,924,429
Revenue vehicles and equipment	13,089,212	1,645,849	695,601	14,039,460
Service vehicles and equipment	359,574	11,708	-	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,451,609	185,508	27,057	1,610,060
Miscellaneous revenue equipment	1,653,877	201,520	110,389	1,745,008
Accumulated Depreciation	23,336,410	3,193,014	833,047	25,696,377
Capital Assets Being Depreciated, Net	36,804,383	(1,013,797)	-	35,790,586
Capital Assets, Net	$ 40,663,258	$ (1,013,797)	$ -	$ 39,649,461

Note 9 - Line of Credit

The Authority has a $1,000,000 unsecured line of credit with a bank with an interest rate of 0.50 percentage points greater than the prime rate, or 4% at June 30, 2016 and 2015. As of June 30, 2016 and 2015, no amount was outstanding against the line of credit.

Note 10 - Unearned Commonwealth of Pennsylvania Act 49 Funds

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, 2016 and 2015, the Authority has accumulated $516,618 and $495,840, respectively, which is recorded as unearned revenue. Effective July 1, 1987, this legislation was superseded.

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:

	2016	2015
Balance, Beginning of Year	**$ 4,119,787**	$ 2,943,851
Funds received - state	**-**	5,832,842
Total Available	**4,119,787**	8,776,693
Funds expended	**(4,119,787)**	(4,656,906)
Balance, End of Year	**$ -**	$ 4,119,787

Note 12 - Red Rose Transit Authority Pension Plan

Plan Description

The Red Rose Transit Authority Pension Plan is a single-employer defined benefit pension plan administered by the Authority. A full-time employee becomes a participant in the plan after completion of 90 days of service, provided that the employee is an hourly employee covered under the collective bargaining agreement.

Benefits Provided

Normal Retirement

A participant is eligible for normal retirement after attainment of age 62 and completion of ten years of vested service, or on the tenth anniversary of his date of participation, if earlier.

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

Note 12 - Red Rose Transit Authority Pension Plan (continued)

Benefits Provided (continued)

Normal Retirement (continued)

The amount of monthly pension is equal to an amount per year of benefit service based upon the date of retirement as outlined in the following schedule:

Date of Retirement	Benefit Amount per Year of Benefit Service
After March 31, 2013	$ 46.50
After March 31, 2014	49.50
After March 31, 2015	51.50
After March 31, 2016	54.50

Late Retirement

If a participant continues working after their normal retirement date, their pension does not start until they actually retire. The monthly 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 20 years of vesting service. The monthly 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

If an active participant who has completed 15 years of vesting service becomes totally and permanently disabled, they are eligible for disability retirement after 36 weeks of disability. The monthly disability retirement pension is equal to the benefit accrued to the date of disability.

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 their spouse equal to 50% of the actuarially reduced pension the participant would have been entitled to if they had retired on the day before their death and elected a joint and 50% survivor pension.

Employees Covered by Benefit Terms

Inactive members or beneficiaries currently receiving benefits	51
Inactive members entitled to, but not yet receiving benefits	12
Active members	71
Total Members	**134**

Note 12 - Red Rose Transit Authority Pension Plan (continued)

Contributions

Effective June 1, 2013, employee contributions were $1.36 per hour and employer contributions are made at the rate of $2.04 per hour. Effective June 1, 2014, employee contributions were made at the rate of $1.43 per hour and employer contributions are made at the rate of $2.15 per hour. Effective June 1, 2015, employee contributions were made at the rate of $1.54 per hour and employer contributions were made at the rate of $2.32 per hour.

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

At June 30, 2016, the Authority reported a liability of $720,502 for its net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2015. For the year ended June 30, 2016, the Authority recognized pension expense of $554,342 related to this plan. At June 30, 2016, the Authority reported deferred outflows and inflows of resources related to the Red Rose Transit Authority Pension Plan from the following sources:

	2016	2015
Deferred Outflows of Resources		
Differences between projected and actual earnings on pension plan investments	**$ 308,086**	$ 262,365
Deferred Inflows of Resources		
Differences between expected and actual experience	**$ (126,895)**	$ -

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

2017	**$ 45,298**
2018	**45,298**
2019	**45,298**
2020	**45,297**

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.

Note 12 - Red Rose Transit Authority Pension Plan (continued)

Actuarial Assumptions (continued)

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. As of June 30, 2016, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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**

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, 2014	$ 6,590,522	$ 6,003,544	$ 586,978
Service cost	154,836	-	154,836
Interest cost	492,015	-	492,015
Contributions - employer	-	312,685	(312,685)
Contributions - member	-	207,947	(207,947)
Net investment income	-	127,649	(127,649)
Benefit payments, including refunds of member contributions	(370,319)	(370,319)	-
Administrative expense	-	(7,900)	7,900
Net Changes	276,532	270,062	6,470
Balance at June 30, 2015	6,867,054	6,273,606	593,448

Note 12 - Red Rose Transit Authority Pension Plan (continued)

Changes in the Net Pension Liability (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Service cost	155,512	-	155,512
Interest cost	521,498	-	521,498
Changes for experience	(158,619)	-	(158,619)
Changes in benefit terms	266,367	-	266,367
Contributions - employer	-	343,477	(343,477)
Contributions - member	-	220,925	(220,925)
Net investment income	-	93,302	(93,302)
Benefit payments, including refunds of member contributions	(354,003)	(354,003)	-
Net Changes	430,755	303,701	127,054
Balance at June 30, 2016	$ 7,297,809	$ 6,577,307	$ 720,502

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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	$ 1,334,513	$ 720,502	$ 188,113

Note 13 - Red Rose Transit Authority Salaried Employees Pension Plan

Plan Description

The Red Rose Transit Authority Salaried Employees Pension Plan is a single-employer defined benefit pension plan for salaried employees administered by the Authority. On January 1, 2015, all salaried employees transferred to SCTA. Effective July 1, 2015, the related pension assets and liability for this plan also transferred to SCTA.

Note 13 - Red Rose Transit Authority Salaried Employees Pension Plan (continued)

Benefits Provided

Normal Retirement

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

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 60% of average monthly compensation, less 83-1/3% of Primary Social Security, prorated if the participant has less than 15 years of benefit service at his normal retirement date.

Average monthly compensation is based upon 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, their pension does not start until they actually retire. The monthly late retirement pension is equal to the greater of the actuarial equivalent of the retirement benefit determined as of the end 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 monthly 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

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 their spouse equal to 50% of the actuarially reduced pension the participant would have been entitled to if they had retired on the day before their death and elected a joint and 50% survivor pension.

Employees Covered by Benefit Terms

Inactive members or beneficiaries currently receiving benefits	-
Inactive members entitled to, but not yet receiving benefits	-
Active members	-
Total Members	-

Contributions

No contributions are made by the participants. The Authority is required to contribute amounts necessary to fund the plan using the actuarial basis specified by statute.

Note 13 - Red Rose Transit Authority Salaried Employees Pension Plan (continued)

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

At June 30, 2016, the Authority reported a liability of $-0- for its net pension liability, as it was transferred to SCTA as of July 1, 2015. The net pension liability was measured as of June 30, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2015.

As a result of the transfer of this plan, for the year ended June 30, 2016, the Authority recognized a net pension expense reduction of $106,872 related to the plan. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Red Rose Transit Authority Salaried Employees Pension Plan from the following sources:

	2016	2015
Deferred Outflows of Resources		
Differences between projected and actual earnings on pension plan investments	**$ -**	$ 82,791

Actuarial Assumptions

The total pension liability in the July 1, 2013 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 which does not include projected mortality improvements.

The actuarial assumptions used in the July 1, 2013 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. As of June 30, 2016, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	**40.00 - 45.00 %**	**7.00 %**
International equity	**20.00 - 25.00**	**6.00**
Fixed income	**30.00 - 35.00**	**2.50**
Cash	**0.00 - 5.00**	**0.00**

Note 13 - Red Rose Transit Authority Salaried Employees' 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 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, 2014	$ 2,067,859	$ 1,950,544	$ 117,315
Service cost	82,121	-	82,121
Interest cost	158,298	-	158,298
Contributions - employer	-	126,188	(126,188)
Net investment income	-	44,486	(44,486)
Benefit payments, including refunds of member contributions	(78,677)	(78,677)	-
Administrative expense	-	(2,600)	2,600
Net Changes	161,742	89,397	72,345
Balance at June 30, 2015	2,229,601	2,039,941	189,660
Service cost	**133,502**	**-**	**133,502**
Interest cost	**170,647**	**-**	**170,647**
Contributions - employer	**-**	**138,252**	**(138,252)**
Changes in benefit terms	**(56,160)**	**-**	**(56,160)**
Changes for experience	**10,738**	**-**	**10,738**
Net investment income	**-**	**26,572**	**(26,572)**
Benefit payments, including refunds of member contributions	**(84,763)**	**(84,763)**	**-**
Transfer to SCTA	**(2,403,565)**	**(2,120,002)**	**(283,563)**
Net Changes	**(2,229,601)**	**(2,039,941)**	**(189,660)**
Balance at June 30, 2016	**$ -**	**$ -**	**$ -**

Note 13 - Red Rose Transit Authority Salaried Employees 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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	$ -	$ -	$ -

Note 14 - Postemployment Benefits Other than Pensions

The Authority provides postemployment benefits for administrative and union employees upon normal or early retirement. For administrative employees, the Authority pays 50% of the health insurance premiums only from ages 62 through 64. Spouse and dependent children can participate only if the retiree pays 100% of the cost of coverage. The Authority will also pay a death benefit, with a face value of $6,000.

For union employees, the Authority pays 65% of the health insurance premiums only from ages 62 through 64. Spouse and dependent children can participate only if the retiree pays 100% of the cost of coverage. The Authority will also pay a death benefit, with a face value of $4,550.

Funding Policy and Annual OPEB Cost

The Authority currently funds other OPEB costs as they occur. For the year ended June 30, 2016, the Authority incurred $204,252 in OPEB costs for current premiums. Plan members receiving benefits contributed $6,900 or approximately 35% of the total premiums through their required contributions.

Note 14 - Postemployment Benefits Other than Pensions (continued)

Funding Policy and Annual OPEB Cost (continued)

The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. 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	$ 204,252
Adjustment to the annual required contribution	-
Interest on net OPEB obligation	-
Annual OPEB cost	204,252
Contributions made	(30,020)
Increase in net OPEB obligation	174,232
Net OPEB obligation at beginning of year	-
Net OPEB Obligation at End of Year	**$ 174,232**

The audit opinion on the June 30, 2015 financial statements was qualified due to the lack of available information related to the Authority's OPEB. Based on the information subsequently received, the OPEB liability at June 30, 2015 was $119,347 and recorded as a component of the OPEB costs for the year ended June 30, 2016. The Authority considers this amount to be immaterial to the results from operations for the year ended June 30, 2016.

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 years ended June 30:

Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Liability
6/30/16	$ 68,084	44.1 %	$ 174,232

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, the most recent actuarial valuation, was as follows:

Employees Covered by Benefit Terms	
Active participants	95
Vested former participants	-
Retired participants	41
	136

Note 14 - Postemployment Benefits Other than Pensions (continued)

Funded Status and Funding Progress (continued)

Actuarial Present Value at Attained Age (APVAA)	$ 920,065
Actuarial accrued liability (AAL)	$ 634,409
Actuarial value of assets (AVA)	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 634,409
Funded Ratio	- %
Covered Payroll	$ 4,417,480
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	14.36 %

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 - postemployment benefits other than pensions 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	July 1, 2013
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	Declining scale from 7.0% in 2013, decreasing .5% per year to 5.5% in 2016. Rates gradually decrease to 4.2% in 2089.

Note 15 - Disposition Proceeds/Restricted Net Position

The balance represents the proceeds from the disposal of vehicles. These funds and the interest earnings thereon are to be expended in future years for the purchase of vehicles under the restrictions set forth in the related grants. At June 30, 2016 and 2015, the Authority has accumulated $77,340 and $25,977, respectively.

Note 16 - Capital Purchases/Restricted Net Position

The balance represents insurance or other proceeds received for the replacement of certain capital assets. These funds and the interest earnings thereon are to be expended in future years for the replacement of the related capital assets. At June 30, 2016 and 2015, the Authority has accumulated $-0- and $9,883, respectively.

Note 17 - Risk Management

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

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance Property & Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the State Association for Transportation Insurance Property & Liability Pool for its property; general liability; automobile liability; automobile physical damage; crime, boiler and machinery; and public officials' errors and omissions insurance coverage. The agreement for formation of the State Association for Transportation Insurance Property & Liability Pool provides that the State Association for Transportation Insurance Property & Liability Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified for each type of coverage. In the event annual premiums are not sufficient to fund operations or obligations of the State Association for Transportation Insurance Property & Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the State Association for Transportation Insurance Property & Liability Pool and charged to operations during the years ended June 30, 2016 and 2015 amounted to $301,706 and $315,949, respectively.

Note 17 - Risk Management (continued)

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance Workers' Compensation Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the State Association for Transportation Insurance Workers' Compensation Pool for its workers' compensation insurance coverage. The agreement for formation of the State Association for Transportation Insurance Workers' Compensation Pool provides that the State Association for Transportation Insurance Workers' Compensation Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified. In the event annual premiums are not sufficient to fund operations or obligations of the State Association for Transportation Insurance Workers' Compensation Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the State Association for Transportation Insurance Workers' Compensation Pool and charged to operations during the years ended June 30, 2016 and 2015 amounted to $48,177 and $119,959, respectively, which was net of premium refunds in the amounts of $226,729 and $213,060, respectively.

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

For the years ended June 30, 2016 and 2015, there has been no significant reduction in insurance coverage from coverage in the prior years. Settled claims have not exceeded the insurance coverage purchased for the years ended June 30, 2016, 2015, and 2014.

Note 18 - Advertising

Advertising costs included in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015 were $-0- and $47,055, respectively.

Note 19 - Commitments and Contingencies

Commitments

Bus Tire Lease

The Authority leases bus tires under the terms of two operating leases that call for monthly payments based on actual mileage. Mileage rates are based on the billing rate per tire mile in effect during the preceding month based on calculations included in the lease agreements. The leases run through 2017 and automatically renew for two-year periods thereafter.

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 were due through June 30, 2016. Total rent expense during the year amounted to $10,800 for the years ended June 30, 2016 and 2015. As of July 1, 2016, the lease was transferred to SCTA.

Note 19 - Commitments and Contingencies (continued)

Commitments (continued)

Capital Purchases

The Authority has made commitments at June 30, 2016, approximately $2,600,000 for the purchase of hybrid buses. The expenditures will be funded through federal, state, and local capital grants.

Contingencies

Grants

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

Capital Assets

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

Audit

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

Unemployment Compensation

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

Concentration of Labor

The Authority entered into a collective bargaining agreement with the drivers and maintenance employees through June 30, 2019. Of the Authority's total workforce, 100% is covered under the collective bargaining agreement.

Note 19 - Commitments and Contingencies (continued)

Contingencies (continued)

Litigation

Perrotto Builders, Ltd. v. Red Rose Transit Authority

RRTA has been sued by Perrotto Builders, Ltd. (Perrotto) in the Court of Common Pleas of Lancaster County, Docket No. CI-11-12539. In addition, RRTA sued Perrotto, and the two actions have been consolidated for discovery and trial. The lawsuits arise from Perrotto's work as the general construction contractor on a project known as Queen Street Station, Phase II, in Lancaster, Pennsylvania (the Project). Perrotto has not plead a specific amount in controversy; however, RRTA believes that Perrotto is seeking an amount in excess of $800,000, representing the amount of payments RRTA withheld from Perrotto for work allegedly performed from June through August 2011, prior to RRTA's October 2011 termination of Perrotto from work at the Project, as well as additional unspecified damages for Perrotto's claim of wrongful termination. RRTA is aggressively defending against Perrotto's complaint.

RRTA has completed the Project and paid the subcontractors whose services were required to achieve completion. Moreover, RRTA filed its own complaint against Perrotto for damages associated with the collapse of an adjacent building while Perrotto was doing foundation work on the Project, and for contractual liquidated damages, among others, and these two counter-suits have been consolidated. Perrotto and RRTA have begun to mediate their disputes and will continue to work with a mediator in an attempt to avoid lengthy litigation. The litigation is temporarily on hold pending the completion of mediation.

Shannon A. Smith and Vision Mechanical v. Red Rose Transit Authority

RRTA has also been sued by two other prime contractors who performed work on the Project - Vision Mechanical (mechanical contractor) (Vision) and Shannon A. Smith (electrical contractor) (Smith). RRTA paid both contractors in full for their work on the Project. However, they are seeking to recover delay damages including home office overhead using the Eichleay formula. Vision values its claim at $250,000 while Smith values its claim at $240,000 plus attorneys' fees and interest under the Public Contracting Act. Because the contracts preclude claims for delay damages, RRTA will at the appropriate time file a dispositive motion asking the Court to dismiss the claims. RRTA denies liability to all contractors and will vigorously defend. RRTA has asserted its own counterclaim against Vision and Smith and asserted the affirmative defense of offset because of delays they caused on the Project. These actions have been consolidated with the Perrotto/RRTA actions.

Note 19 - Commitments and Contingencies (continued)

Contingencies (continued)

Litigation (continued)

Perrotto v. Haahs v. Red Rose Transit Authority

Perrotto sued Timothy Haahs & Associates (Haahs), the design professional on the Project, arguing that Haahs' plans and specifications were defective. Perrotto alleges those defects caused a neighboring building to collapse into the Project during excavation and shoring and resulted in delays for which Haahs is allegedly liable to Perrotto. Perrotto also alleges that certain features of the Project were unbuildable as designed, causing Perrotto to incur significant expenses to correct work that was already completed and to design its own remedies. This allegedly created delays and additional expense and ultimately resulted in RRTA's termination of Perrotto from the Project. The unspecified damages Perrotto seeks in the action against Haahs clearly duplicate some of the damages Perrotto seeks from RRTA, and the cases will therefore be consolidated.

Haahs joined RRTA in this action claiming that RRTA is liable for some of the damages sought by Perrotto. RRTA filed preliminary objections to the joinder complaint, and those are currently pending in Lancaster County. RRTA will continue to vigorously defend. This action will ultimately end up in a global mediation along with the above actions.

Parking Garage Tax Exempt Status

The City of Lancaster and the School District of Lancaster have asserted that they are appealing the tax exempt status of the parking garage. Appeals were filed earlier this year, but were limited to an appeal of the tax exempt status of the premises leased to for profit entities. There is one lease to a for profit entity, the Federal Taphouse, which is a restaurant and bar, the valuation for which was first issued in September 2013. This valuation is not in issue. However, the city and school district are now asserting that the parking garage is not exempt from taxes. The Authority believes that the parking garage is tax exempt under the law and will vigorously defend any appeals.

Note 20 - Management Agreement

The Authority entered into a Mutual Cooperation Agreement with SCTA which took effect on January 1, 2015. The agreement called for SCTA to provide all executive, management, administrative, and support services. The Authority is to make monthly payments of $175,000 for the services provided. The initial term of the agreement ended June 30, 2015. On June 19, 2015, a four year extension was approved which extended the agreement through June 30, 2019. Management service expense included in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2015 was $1,135,224.

Note 20 - Management Agreement (continued)

The Authority entered into a subcontract agreement with SCTA 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 the County of Lancaster. Under the agreement, the Authority will continue to utilize its existing vehicles to provide the services. The agreement also calls for the Authority to lease the building at 45 Erick Road and the Queen Street Station facilities. The Authority shall also assign its lease agreements for the Queen Street Station I as well as other such contracts to SCTA. The SCTA will be receiving future grants which will fund transportation services in the County of Lancaster and as a result, SCTA may purchase vehicles, supplies, and services needed to provide the contracted transportation services.

Under the terms of this agreement, the Authority provides fixed route and paratransit service for SCTA in exchange for SCTA funding the operating deficit of the Authority. During the year ended June 30, 2016, the Authority received $1,541,636 in operating revenue from SCTA in exchange for the services provided.

Note 21 - Subsequent Events

The Authority has evaluated subsequent events through December 2, 2016. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2016 were noted.

Red Rose Transit Authority

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

	RRTA Pension Plan		Salaried Employees' Pension Plan	
	Years Ended June 30,		Years Ended June 30,	
	2016	**2015**	**2016**	**2015**
Total Pension Liability				
Service cost	**$ 155,512**	$ 154,836	**$ 133,502**	$ 82,121
Interest cost	**521,498**	492,015	**170,647**	158,298
Benefit payments, including refunds of member contributions	**(354,003)**	(370,319)	**(84,763)**	(78,677)
Changes in benefit terms	**266,367**	-	**(56,160)**	-
Changes for experience	**(158,619)**	-	**10,738**	-
Transfer to South Central Transit Authority	**-**	-	**(2,403,565)**	-
Net Change in Total Pension Liability	**430,755**	276,532	**(2,229,601)**	161,742
Total Pension Liability, Beginning	**6,867,054**	6,590,522	**2,229,601**	2,067,859
Total Pension Liability, Ending	**$ 7,297,809**	$ 6,867,054	**$ -**	$ 2,229,601
Plan Fiduciary Net Position				
Contributions - employer	**$ 343,477**	$ 312,685	**$ -**	$ 126,188
Contributions - member	**220,925**	207,947	**-**	-
Net investment income	**93,302**	127,649	**-**	44,486
Benefit payments, including refunds of member contributions	**(354,003)**	(370,319)	**-**	(78,677)
Administrative expense	**-**	(7,900)	**-**	(2,600)
Transfer to South Central Transit Authority	**-**	-	**(2,039,941)**	-
Net Change in Plan Fiduciary Net Position	**303,701**	270,062	**(2,039,941)**	89,397
Plan Net Position, Beginning	**6,273,606**	6,003,544	**2,039,941**	1,950,544
Plan Net Position, Ending	**$ 6,577,307**	$ 6,273,606	**$ -**	$ 2,039,941
Authority's Net Pension Liability	**$ 720,502**	$ 593,448	**$ -**	$ 189,660
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**90.1%**	91.4%	**0.0%**	91.5%
Covered Employee Payroll	**$ 3,375,258**	$ 3,312,473	**$ -**	$ 1,184,397
Authority's Net Pension Liability as a Percentage of Covered Employee Payroll	**21.3%**	17.9%	**0.0%**	16.0%

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

Schedule of Pension Contributions - 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
2007	$ 185,879	184,285	1,594	$ -	- %
2008	176,933	205,882	(28,949)	-	-
2009	180,704	207,155	(26,451)	-	-
2010	170,031	226,450	(56,419)	-	-
2011	156,807	213,199	(56,392)	-	-
2012	191,849	216,450	(24,601)	-	-
2013	197,954	268,369	(70,415)	-	-
2014	267,849	295,649	(27,800)	-	-
2015	207,352	312,685	(105,333)	3,312,473	6.26
2016	**238,070**	**343,477**	**(105,407)**	**3,375,258**	**10.18**

Actuarial Methods and Assumptions

Valuation Date: Actuarially determined contribution rates are calculated as of July 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	7/1/2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	6 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	Normal Retirement Age
Mortality	RP2000 Table - This table does not include projected mortality improvements.

Changes in Benefit Terms

Benefit Formula	**Benefit Amount per Year of Service**
Date of Retirement	
After March 31, 2015	$ 51.50
After March 31, 2016	54.50

Actuarial Methods and Assumptions (continued)

Contributions

	Employer	Employee
Effective June 1, 2014	$ 2.15 per hour	$ 1.43 per hour
Effective June 1, 2015	2.32 per hour	1.54 per hour

Red Rose 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
2006	$ 52,532	$ 52,000	$ 532	$ -	- %
2007	62,175	94,275	(32,100)	-	-
2008	76,185	77,000	(815)	-	-
2009	80,675	77,000	3,675	-	-
2010	81,512	81,862	(350)	-	-
2011	79,317	79,564	(247)	-	-
2012	92,138	93,346	(1,208)	-	-
2013	91,411	92,751	(1,340)	-	-
2014	113,406	116,263	(2,857)	-	-
2015	123,568	126,188	(2,620)	1,184,397	10.43

Actuarial Methods and Assumptions

Valuation Date: Actuarially determined contribution rates are calculated as of July 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	7/1/2014
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	14 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	Normal Retirement Age
Mortality	RP2000 Table - This table does not include projected mortality improvements.

There have been no changes in the benefit terms since July 1, 2014. Effective July 1, 2015, the pension liability and related expenses transferred to South Central Transit Authority.

Red Rose Transit Authority

Schedule of Funding Progress - Postemployment 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, 2013	$ -	$ 634,409	$ 634,409	- %	$ 4,417,480	14.4 %