RRTA

RED ROSE TRANSIT AUTHORITY

RED ROSE TRANSIT • RED ROSE TROLLEY • RED ROSE ACCESS

Financial Statements and Supplementary Information

June 30, 2018 and 2017

rkl LLP

FOCUSED. ON YOU.

Table of Contents
June 30, 2018 and 2017

FOCUSED. ON YOU.

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, 2018 and 2017, 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.

1800 Fruitville Pike, P.O. Box 8408, Lancaster, PA 17604 Main: 717.394.5666 Fax: 717.394.0693 RKLcpa.com

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, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 75

As described in Note 2 of the financial statements, in 2018 the Authority adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Our opinion is not modified in respect to these matters.

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 3 to 9 and pages 39 to 43 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* and the audit requirements of the Pennsylvania Department of Transportation, we have also issued our report, dated December 10, 2018, 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 10, 2018
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, 2018 and 2017. Please read it in conjunction with the Authority's financial statements.

Authority Activities and Highlights

- The Authority's net position decreased approximately $2,558,000 for the year ended June 30, 2018, compared to a decrease of approximately $1,014,000 and an increase of approximately $1,220,000 for the years ended June 30, 2017 and 2016, 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 $592,000, $1,893,000, and $4,655,000 for the years ended June 30, 2018, 2017, and 2016, respectively.

- The Authority's operating revenues increased approximately $181,000 or 2.9% for the year ended June 30, 2018, increased approximately $4,795,000 or 311.0% for the year ended June 30, 2017, and decreased approximately $7,809,000 or 83.5% for the year ended June 30, 2016. The increase 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 16 of the financial statements. The Authority did not receive Act 44 funding from the Commonwealth of Pennsylvania. The operations were balanced with increased purchased services revenue received from SCTA.

- The Authority's operating expenses increased approximately $511,000 or 5.5% for the year ended June 30 2018, and increased approximately $324,000 or 3.6% for the year ended June 30, 2017, and decreased approximately $10,182,000 or 52.7% for the year ended June 30, 2016. The increase in the current year was due to increased salaries and wages and fringe benefits.

- The Authority provided 2,046,930 passenger trips during fiscal year 2018, compared to 2,086,868 and 2,207,250 in the fiscal years 2017 and 2016. This represents a decrease of 1.9% for 2018, compared to a decrease in system ridership of 5.5% for 2017. This included a 1.9% decrease in passengers using the Authority's fixed route system. From 2017 to 2018, passenger trips decreased by 39,938 trips and from 2016 to 2017, passenger trips decreased by 120,382 trips.

- The Authority's beginning net portion has been restated to properly reflect the effect of the implementation of GASB 75. The June 30, 2016 financial statements as previously issued were restated for this adoption.

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 in 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.

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

Financial Analysis

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Authority, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by approximately $37,258,000 $39,816,000, and $40,830,000 as of June 30, 2018, 2017, and 2016, respectively.

Financial Analysis (continued)

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

	2018	2017	2016
Assets			
Current assets	**$ 1,521,353**	$ 1,462,773	$ 1,503,158
Capital assets, net	**37,418,141**	39,952,236	41,315,000
Total Assets	**38,939,494**	41,415,009	42,818,158
Deferred Outflow of Resources - Pension	**154,042**	231,064	308,086
Deferred Outflow of Resources - Postemployment Benefit	**49,070**	44,568	-
Liabilities			
Current liabilities	**984,279**	980,658	1,058,616
Postemployment benefit liability	**432,532**	449,010	390,224
Net pension liability	**129,883**	211,595	720,502
Total Liabilities	**1,546,694**	1,641,263	2,169,342
Deferred Inflow of Resources - Pension	**317,374**	233,271	126,895
Deferred Inflow of Resources - Postemployment Benefit	**20,244**	-	-
Net Position			
Investment in capital assets	**37,418,141**	39,952,236	41,315,000
Restricted for disposition of proceeds	**178,356**	121,551	77,340
Unrestricted net deficit	**(338,203)**	(257,680)	(562,333)
Total Net Position, as Restated	**$ 37,258,294**	$ 39,816,107	$ 40,830,007

By far the largest portion of the Authority's net assets 100.4%, 100.3%, and 101.2% as of June 30, 2018, 2017, and 2016, 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.

Financial Analysis (continued)

The restricted portion of the Authority's net assets at June 30, 2018, 2017, and 2016 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net deficits of approximately $338,000, $258,000, and $346,000 at June 30, 2018, 2017, and 2016, respectively, represents cumulative losses as a result of the net pension liability and postemployment benefit liability recorded on the statement of net position in response to GASB Statement No. 68 and 75.

Changes in Revenues, Expenses, and Changes in Net Position. 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:

	2018	2017	2016
Operating Revenues			
Purchased service revenues	**$ 6,505,896**	$ 6,313,611	$ 1,541,636
Miscellaneous	**11,460**	22,817	-
Total Operating Revenues	**6,517,356**	6,336,428	1,541,636
Operating Expenses			
Salaries and wages	**3,855,724**	3,391,674	3,329,338
Fringe benefits	**2,442,339**	2,277,522	2,471,586
Other operating expenses	**335,836**	356,948	375,619
Depreciation	**3,124,595**	3,220,953	2,962,231
Total Operating Expenses	**9,758,494**	9,247,097	9,138,774
Nonoperating Revenues			
Operating grants			
Commonwealth of Pennsylvania Act 44/89 funds	**-**	-	4,119,787
Interest income	**2,016**	1,007	800
Gain on disposal of capital assets	**89,257**	2,486	41,498
Total Nonoperating Revenues	**91,273**	3,493	4,162,085
Capital Grant Funding	**592,052**	1,893,276	4,654,780
Increase (Decrease) in Net Position	**$ (2,557,813)**	$ (1,013,900)	$ 1,219,727

The Authority is dependent on a management agreement with South Central Transit Authority to fund its operations. The funding received from this entity is included in purchased service revenues.

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, 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, 2018, 2017, and 2016, net of accumulated depreciation, amounted to approximately $37,418,000, $39,952,000, and $41,315,000, respectively. These amounts represent a net increase (decrease), including additions, deletions, and depreciation of approximately $(2,534,000), $(1,363,000), and $1,666,000 for the years ended June 30, 2018, 2017, and 2016, respectively.

	Capital Assets at June 30 (Net of Accumulated Depreciation)		
	2018	**2017**	**2016**
Land and land improvements	**$ 4,092,963**	$ 4,160,388	$ 4,228,402
Buildings and improvements	**25,675,361**	26,538,345	27,607,195
Revenue vehicles and equipment	**6,706,995**	7,858,056	7,630,311
Furniture and office equipment	**261,225**	508,425	777,524
Miscellaneous revenue equipment	**681,597**	887,022	1,071,568
	$ 37,418,141	$ 39,952,236	$ 41,315,000

During the years ended June 30, 2018, 2017, and 2016, the Authority expended approximately $592,000, $1,893,000, and $4,655,000, respectively, on capital asset activities.

Additional information related to capital assets can be found in Note 8 of 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 had a $1,000,000 line of credit with a tax-free interest rate of 0.5% greater than prime. At June 30, 2016, no amount was outstanding against the line of credit. The line of credit was closed on October 31, 2016.

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

Economic Factors

This fiscal year represented the third full year of the merger of the administrative functions between the Berks Area Regional Transportation Authority (BARTA) and the Red Rose Transit Authority (RRTA) with the newly formed South Central Transit Authority (SCTA). With the merger, BARTA and RRTA only employ the drivers and mechanics necessary to provide the fixed-route and shared ride services within Berks and Lancaster Counties, respectively, while all administrative functions are now performed by SCTA. It should be noted that SCTA is the designated recipient for all new federal and state funds and has direct responsibility for the maintenance of all facilities through a long-term lease agreement with BARTA and RRTA which entails seven facilities in total. All new vehicles purchased for either fixed-route service or shared ride service are now owned by SCTA and leased back to either BARTA or RRTA, as appropriate, to operate and maintain. Through the cost savings from the merger and increased operating funds from the state, SCTA was able to hold the current levels of service in both communities. Further, the cost savings from the merger resulted in another year that Berks and Lancaster Counties were not required to pay a local match for state funding as included in Act 89, a savings of over $780,000 in local funds. These savings are allowed for five years under Act 89.

For the fiscal year, overall ridership decreased by 1.9% with fixed-route ridership decreasing 1.8% and the shared ride ridership decreasing 2.4%. In an effort to spur ridership, SCTA used a special twenty-five cent ($.25) promotion for the month of September 2017 that saw a 15% growth in Lancaster for the month.

In an effort to address the downward trends and evaluate service, a Transit Development Plan (TDP) Update was completed during FY 2018 that included service in both communities with a focus on providing bus service to jobs. This is the first time that a joint TDP Update was completed for SCTA's services in both communities. The Plan was accepted by the Board of Directors and the local MPOs, and provides service recommendations for the next five to ten year time period, depending on available funding.

In terms of capital improvements, SCTA received eight new hybrid electric buses during the fiscal year with all eight being placed in service in Lancaster to replace eight 2005 Gillig Phantoms. Another five new hybrid electric buses and 17 shared ride service vehicles were ordered by SCTA for Lancaster. These vehicle replacements are in line with SCTA's Transit Asset Maintenance Plan adopted by the Board of Directors. All these vehicles will be delivered during FY 2019.

SCTA was able to complete the renovation of the Queen Street Station - Phase I facility late in the fiscal year and re-opened the center in April 2018. Other capital projects in the works include security upgrades and solar expansion in Lancaster.

Further, the increasing trend in oil prices during the fiscal year, resulted in a higher diesel fuel bid, $2.0911 the first and second year that began April 1, 2018 through March 31, 2019 compared to $1.5055 per gallon in FY 2016 and $1.3161 in FY 2015. For gasoline for the shared ride fleet, the price is $1.8748 for the first and second year that began April 1, 2018 through March 31, 2019 compared to $1.3214 in FY 2016 and $1.1669 in FY 2015. These higher prices are expected to increase the operating budget by over $640,000 for FY 2019, reversing the past trends of lower fuel costs and savings.

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, Pennsylvania 17601.

	June 30, 2018	June 30, 2017 (As Restated)
Assets		
Current Assets		
Cash and cash equivalents	**$ 359,087**	$ 396,546
Cash and cash equivalents - restricted	**649,647**	702,558
Accounts receivable, including amounts due from South Central Transit Authority; 2018 $356,092; 2017 $281,978	**363,601**	285,932
Prepaid expenses	**138,858**	70,513
Capital grants receivable	**10,160**	7,224
Total Current Assets	**1,521,353**	1,462,773
Capital Assets		
Capital assets not being depreciated	**3,858,875**	3,858,875
Capital assets being depreciated, net	**33,559,266**	36,093,361
Capital Assets, Net	**37,418,141**	39,952,236
Total Assets	**38,939,494**	41,415,009
Deferred Outflows of Resources		
Pension	**154,042**	231,064
Postemployment Benefit Liability	**49,070**	44,568
Total Deferred Outflows of Resources	**203,112**	275,632
Total Assets and Deferred Outflow of Resources	**39,142,606**	41,690,641
Liabilities		
Current Liabilities		
Accounts payable - operating	**20,031**	19,163
Accrued wages	**247,297**	233,093
Payroll withholdings	**67,304**	25,844
Unearned Commonwealth of Pennsylvania Act 49 revenue	**396,718**	449,629
Other unearned revenue	**252,929**	252,929
Total Current Liabilities	**984,279**	980,658
Long-Term Liabilities		
Net pension liability	**129,883**	211,595
Postemployment benefit liability	**432,532**	449,010
Total Long-Term Liabilities	**562,415**	660,605
Total Liabilities	**1,546,694**	1,641,263

See accompanying notes.

	June 30, 2018	June 30, 2017 (As Restated)
Deferred Inflow of Resources		
Pension	**317,374**	233,271
Postemployment Benefit Liability	**20,244**	-
Total Deferred Inflows of Resources	**337,618**	**233,271**
Net Position		
Net Position		
Investment in capital assets	**37,418,141**	39,952,236
Restricted for disposition proceeds	**178,356**	121,551
Unrestricted net deficit	**(338,203)**	(257,680)
Total Net Position, as Restated	**$ 37,258,294**	$ 39,816,107

See accompanying notes.

Red Rose Transit Authority

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30, 2018	2017 (As Restated)
Operating Revenues		
Purchased service revenues	**$ 6,505,896**	$ 6,313,611
Miscellaneous	**11,460**	22,817
Total Operating Revenues	**6,517,356**	6,336,428
Operating Expenses		
Salaries and wages	**3,855,724**	3,391,674
Fringe benefits	**2,442,339**	2,277,522
Services	**50,620**	48,910
Casualty and liability	**279,607**	292,224
Miscellaneous expense	**5,609**	15,814
Depreciation	**3,124,595**	3,220,953
Total Operating Expenses	**9,758,494**	9,247,097
Loss from Operations	**(3,241,138)**	(2,910,669)
Nonoperating Revenues		
Interest income	**2,016**	1,007
Gain on disposal of capital assets	**89,257**	2,486
Total Nonoperating Revenues	**91,273**	3,493
Loss Before Capital Grant Funding	**(3,149,865)**	(2,907,176)
Capital Grant Funding		
Federal government	**492,398**	1,503,741
State government	**46,744**	329,138
Local governments and other	**52,910**	60,397
Total Capital Grant Funding	**592,052**	1,893,276
Decrease in Net Position	**(2,557,813)**	(1,013,900)
Net Position at Beginning of Year, as Restated	**39,816,107**	40,830,007
Net Position at End of Year, as Restated	**$ 37,258,294**	$ 39,816,107

See accompanying notes.

	Years Ended June 30, 2018	2017 (As Restated)
Cash Flows from Operating Activities		
Cash received from customers	**$ 6,439,686**	$ 6,395,586
Cash payments to suppliers for goods and services	**(283,176)**	(630,554)
Cash payments to employees for services	**(6,283,859)**	(5,682,314)
Net Cash Provided by (Used in) Operating Activities	**(127,349)**	82,718
Cash Flows from Capital and Related Financing Activities		
Receipts from capital grants	**536,205**	1,886,398
Receipts from sale of capital assets	**90,810**	37,573
Purchase of capital assets	**(592,052)**	(1,893,276)
Net Cash Provided by Capital and Related Financing Activities	**34,963**	30,695
Cash Flows Provided by Investing Activities		
Interest income received	**2,016**	1,007
Net Increase (Decrease) in Cash and Cash Equivalents	**(90,370)**	114,420
Cash and Cash Equivalents at Beginning of Year	**1,099,104**	984,684
Cash and Cash Equivalents at End of Year	**$ 1,008,734**	$ 1,099,104
Cash and Cash Equivalents is Comprised of the Following on the Statement of Net Position		
Cash and cash equivalents	**$ 359,087**	$ 396,546
Cash and cash equivalents - restricted	**649,647**	702,558
	$ 1,008,734	$ 1,099,104

See accompanying notes.

	Years Ended June 30, 2018	2017 (As Restated)
Reconciliation of Loss from Operations to Net Cash Provided by (Used in) Operating Activities		
Loss from operations	**$ (3,241,138)**	$ (2,910,669)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities		
Depreciation	**3,124,595**	3,220,953
(Increase) decrease in assets		
Accounts receivable	**(77,669)**	81,975
Prepaid expenses	**(68,345)**	12,719
Decrease in deferred outflows of resources - pension	**77,022**	77,022
Increase in deferred inflows of resources - pension	**84,103**	106,376
Decrease in deferred outflows of resources - postemployment benefit liability	**(4,502)**	-
Increase in deferred inflows of resources - postemployment benefit liability	**20,244**	(41,775)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**56,531**	(10,969)
Postemployment benefit liability	**(16,478)**	55,993
Net pension liability	**(81,712)**	(508,907)
Net Cash Provided by (Used in) Operating Activities	**$ (127,349)**	$ 82,718

Note 1 - Nature of Activity

The Red Rose Transit Authority (RRTA or 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 has two operating divisions: the fixed-route division, which provides scheduled bus service on fixed routes and the special services division, which provides demand responsive transportation services in specially equipped vehicles to the general public and to qualifying elderly and handicapped persons.

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 and utilize the property fund type. 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. Effective July 1, 2015, the Authority leased all of its transportation operations to SCTA. Operating expenses include the cost of providing transportation services 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 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 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.

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 as of June 30, 2018 and 2017 was $-0-.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Investment of Funds

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

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government and Federal agencies
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision
5. Bills of exchange or time drafts drawn on and accepted by a commercial bank not to exceed 180 days
6. Short-term, unsecured obligations of corporations or other business entities organized in accordance with Federal or State law
7. 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.

Prepaid Expenses

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets are those assets with a cost greater than or equal to $1,000 and the item meets the Bureau of Public Transportation's listing of estimated useful life for capital items. 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	10 to 30 years
Revenue vehicles and equipment	4 to 15 years
Service vehicles and equipment	5 to 10 years
Shop and garage equipment	5 to 10 years
Furniture and office equipment	3 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 from the accounts.

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

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended June 30, 2018 and 2017.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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.

Capital Grants

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

Advertising Costs

Advertising costs are expensed as incurred.

Employee Benefits

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

Postemployment Benefits

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

Recent Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement amends financial accounting and reporting requirements for sponsors (employers) of other postemployment benefit (OPEB) plans. The Authority adopted GASB Standard No. 75 for its 2018 financial statements. The adoption of this statement decreased the June 30, 2017 net position by $188,435 and the June 30, 2016 net position by $215,992.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for periods beginning after December 15, 2019. The Authority is currently evaluating what effect the adoption of this GASB statement 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, 2018 and 2017, the carrying amounts of the Authority's bank deposits were $902,094 and $993,657, respectively, and the corresponding bank balances were $1,045,691 and $1,105,569, respectively, of which $795,691 and $855,569, 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 $11,879 at June 30, 2018 and 2017.

Note 5 - Cash and Cash Equivalents (continued)

Cash Deposits (continued)

In addition, at June 30, 2018 and 2017, the Authority had $84,639 and $83,556, respectively invested with the Pennsylvania INVEST Program (INVEST) and $10,122 and $10,012, respectively, invested with the Pennsylvania Local Government Investment Trust (PLGIT). While the INVEST and PLGIT portfolios seek to maintain a stable net asset value of $1.00 per share, it is possible to lose money investing in INVEST or PLGIT. An investment in INVEST or PLGIT is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Securities held in INVEST or PLGIT accounts owned by the Authority are stated at fair value, which is determined by using the amortized cost method.

PLGIT shares are rated AAAm by Standard & Poor's.

Note 6 - Cash and Cash Equivalents - Restricted

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:

	2018	2017
Commonwealth of Pennsylvania Act 49 funds	**$ 396,718**	$ 449,629
Other unearned revenue	**252,929**	252,929
	$ 649,647	$ 702,558

Note 7 - Capital Grants Receivable

At June 30, 2018 and 2017, $10,160 and $7,224, respectively, is 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, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	$ 3,858,875	$ -	$ -	$ 3,858,875
Capital Assets Being Depreciated				
Land improvements	953,195	94	-	953,289
Buildings and improvements	35,700,876	265,410	-	35,966,286
Revenue vehicles and equipment	19,874,497	321,937	2,998,347	17,198,087
Service vehicles and equipment	371,282	2,132	-	373,414
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	2,619,996	1,093	35,273	2,585,816
Miscellaneous revenue equipment	3,026,184	1,386	103,489	2,924,081
Total Capital Assets Being Depreciated	63,036,886	592,052	3,137,109	60,491,829
Accumulated Depreciation				
Land improvements	651,682	67,519	-	719,201
Buildings and improvements	9,162,531	1,128,394	-	10,290,925
Revenue vehicles and equipment	12,016,441	1,471,446	2,996,795	10,491,092
Service vehicles and equipment	371,282	10,700	-	381,982
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	2,111,571	248,293	35,273	2,324,591
Miscellaneous revenue equipment	2,139,162	198,243	103,489	2,233,916
Accumulated Depreciation	26,943,525	3,124,595	3,135,557	26,932,563
Capital Assets Being Depreciated, Net	36,093,361	(2,532,543)	1,552	33,559,266
Capital Assets, Net	$ 39,952,236	$ (2,532,543)	$ 1,552	$ 37,418,141

Note 8 - Capital Assets (continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	$ 3,858,875	$ -	$ -	$ 3,858,875
Capital Assets Being Depreciated				
Land improvements	953,195	-	-	953,195
Buildings and improvements	35,649,009	51,867	-	35,700,876
Revenue vehicles and equipment	19,665,726	1,821,611	1,612,840	19,874,497
Service vehicles and equipment	371,282	-	-	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	2,623,471	5,862	9,337	2,619,996
Miscellaneous revenue equipment	3,012,248	13,936	-	3,026,184
Total Capital Assets Being Depreciated	62,765,787	1,893,276	1,622,177	63,036,886
Accumulated Depreciation				
Land improvements	583,668	68,014	-	651,682
Buildings and improvements	8,041,814	1,120,717	-	9,162,531
Revenue vehicles and equipment	12,035,415	1,563,378	1,582,352	12,016,441
Service vehicles and equipment	371,282	-	-	371,282
Shop and garage equipment	490,856	-	-	490,856
Furniture and office equipment	1,845,947	270,362	4,738	2,111,571
Miscellaneous revenue equipment	1,940,680	198,482	-	2,139,162
Accumulated Depreciation	25,309,662	3,220,953	1,587,090	26,943,525
Capital Assets Being Depreciated, Net	37,456,125	(1,327,677)	35,087	36,093,361
Capital Assets, Net	$ 41,315,000	$ (1,327,677)	$ 35,087	$ 39,952,236

Note 9 - Line of Credit

The Authority had a $1,000,000 unsecured line of credit with a bank with an interest rate of .50 percentage points greater than the prime rate, or 4% with $-0- outstanding at June 30, 2016. The line of credit was closed on October 31, 2016.

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, 2018 and 2017, the Authority has accumulated $396,718 and $449,629, respectively, which is recorded as unearned revenue. Effective July 1, 1987, this legislation was superseded.

Note 11 - 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. Separately issued financial statements are available by contacting 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.

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, 2016	$ 54.50
After March 31, 2017	58.00
After March 31, 2018	61.50
After March 31, 2019	65.00

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.

Note 11 - Red Rose Transit Authority Pension Plan (continued)

Benefits Provided (continued)

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.

Vesting

A participant's benefits vest upon completion of five years of vesting service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination. Employee contributions shall be 100% vested at all times.

Employees Covered by Benefit Terms

Inactive members or beneficiaries currently receiving benefits	**56**
Inactive members entitled to, but not yet receiving benefits	**12**
Active members	**71**
Total Members	**139**

Contributions

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.

Note 11 - Red Rose Transit Authority Pension Plan (continued)

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

At June 30, 2018 and 2017, the Authority reported a liability of $129,883 and $211,595, respectively, for its net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2017. No significant changes in assumptions occurred between the valuation date and the fiscal year end. For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of $446,598 and $20,804, respectively, related to this plan. At June 30, 2018 and 2017, the Authority reported deferred outflows and inflows of resources related to the Red Rose Transit Authority Pension Plan from the following sources:

	2018	2017
Deferred Outflows of Resources		
Differences between projected and actual earnings on pension plan investments	**$ 154,042**	$ 231,064
Deferred Inflows of Resources		
Differences between expected and actual experience	**$ (317,374)**	$ (233,271)

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:

2019	**$ (19,891)**
2020	**(19,891)**
2021	**(65,189)**
2022	**(30,664)**
2023	**(27,697)**

Actuarial Assumptions

The total pension liability in the July 1, 2017 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, 2017 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 11 - 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, 2018, 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.

Note 11 - Red Rose Transit Authority Pension Plan (continued)

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, 2016	$ 7,297,809	$ 6,577,307	$ 720,502
Service cost	163,288	-	163,288
Interest cost	543,842	-	543,842
Contributions - employer	-	338,910	(338,910)
Contributions - member	-	224,967	(224,967)
Net investment income	-	670,635	(670,635)
Benefit payments, including refunds of member contributions	(419,742)	(419,742)	-
Administrative expense	-	(18,475)	18,475
Net Changes	287,388	796,295	(508,907)
Balance at June 30, 2017	7,585,197	7,373,602	211,595
Service cost	**211,625**	**-**	**211,625**
Interest cost	**587,766**	**-**	**587,766**
Changes for experience	**(166,169)**	**-**	**(166,169)**
Changes in benefit terms	**453,253**	**-**	**453,253**
Contributions - employer	**-**	**364,184**	**(364,184)**
Contributions - member	**-**	**245,770**	**(245,770)**
Net investment income	**-**	**571,708**	**(571,708)**
Benefit payments, including refunds of member contributions	**(494,062)**	**(494,062)**	**-**
Administrative expense	**-**	**(13,475)**	**13,475**
Net Changes	**592,413**	**674,125**	**(81,712)**
Balance at June 30, 2018	**$ 8,177,610**	**$ 8,047,727**	**$ 129,883**

Note 11 - Red Rose Transit Authority Pension Plan (continued)

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

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	**$ 812,388**	**$ 129,883**	**$ (466,037)**

Note 12 - Postemployment Benefits Other than Pensions

Plan Description

Red Rose Authority Postemployment Benefit Plan (the Plan) is a single-employer plan administered by the Authority. Upon normal or early retirement, the Authority will provide postemployment benefits. Normal retirement shall be age 62 with ten years of service. Early retirement shall be age 55 with 20 years of service.

Benefits Provided

The Authority will pay 50% of the medical premium for the member only for the ages 62 through 64. During this time period, the member must pay the remaining premium, as well as any additional premium to cover dependents. Upon the member and/or spouse attaining age 65, he or she must enroll in the Senior Plan to continue coverage and pay 100% of the premium (50% for those retiring November 1, 2012 and earlier). Additionally, upon the member attaining age 65, no other coverage is available for the spouse and dependents. Otherwise, the member, spouse, and dependents are not eligible for coverage.

For full-time employees, the Authority will pay for a death benefit. The face value is currently $4,700. For those retiring after March 31, 2017, the face value will be $4,750 and for those retiring after March 31, 2018, the face value will be $4,800. Retirees retiring prior to April 1, 2016 receive a different amount based on the date of retirement.

Benefits are established or modified through collective bargaining agreements with participants.

Separately issued financial statements are available by contacting the Authority.

Retiree Contributions

The retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Note 12 - Postemployment Benefits Other than Pensions (continued)

Death Benefit

It is assumed that the annual cost to provide the death benefit varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

Funding Policy

The Authority currently funds OPEB costs as they occur.

Employees Covered by Benefit Terms

Active participants	51
Vested former participants	-
Retired participants	50
	101

Postemployment Benefits Liability, Postemployment Benefit Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Postemployment Benefits

At June 30, 2018 and 2017, the Authority reported a liability of $432,532 and $449,010, respectively, for its postemployment benefit liability. The net postemployment benefit liability was measured as of June 30, 2018 and 2017, respectively, and the total postemployment benefit liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2017. For the years ended June 30, 2018 and 2017, the Authority recognized postemployment benefit expense of $41,941 and $43,225, respectively, related to this plan. At June 30, 2018 and 2017, the Authority reported deferred outflows and inflows of resources related to the Red Rose Transit Authority Postemployment Benefits Plan from the following sources:

	2018	2017
Deferred Outflows of Resources		
Changes of assumptions	**$ 37,140**	$ 44,568
Benefit payments made subsequent to the measurement date	**11,930**	-
	$ 49,070	$ 44,568
Deferred Inflows of Resources		
Changes of assumptions	**$ (20,244)**	$ -
	$ (20,244)	$ -

Note 12 - Postemployment Benefits Other than Pensions (continued)

Postemployment Benefits Liability, Postemployment Benefit Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Postemployment Benefits (continued)

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

2019	$ 15,984
2020	4,054
2021	4,054
2022	4,054
2023	4,054
Thereafter	(3,374)

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, 2017
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value
Interest Rate	3.13% per annum based on S&P Municipal Bond 20 year high grade rate index at July 1, 2017
Healthcare Inflation Rate	Declining scale from 6.00% in 2017, and 5.50% through 2023. Rates gradually decrease from 5.40% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Salary	Assumptions for salary increases is used only for spreading contributions over future pay under entry age normal cost method. For this purpose salary increases are assumed to be 5.00%.
Mortality	RP 2000 Table
Retirement	Latest of age 62, age at the completion of ten years of service, or age on the valuation date
Election of Coverage	40% medical and prescription coverage, 100% receive death benefit
Percent Married at Retirement	15% are assumed married and have a covered spouse at retirement

Note 12 - Postemployment Benefits Other than Pensions (continued)

Changes in the Net Postemployment Benefit Liability

	Increase (Decrease)		
	Total Postemployment Benefit Liability (a)	Plan Fiduciary Net Position (b)	Net Postemployment Benefit Liability (a) - (b)
Balance at June 30, 2016	$ 390,224	$ -	$ 390,224
Service cost	20,776	-	20,776
Interest cost	15,021	-	15,021
Changes in assumptions	51,996	-	51,996
Benefit payments	(29,007)	-	(29,007)
Net Changes	58,786	-	58,786
Balance at June 30, 2017	449,010	-	449,010
Service cost	**26,462**	**-**	**26,462**
Interest cost	**11,425**	**-**	**11,425**
Changes in assumptions	**(23,618)**	**-**	**(23,618)**
Benefit payments	**(30,747)**	**-**	**(30,747)**
Net Changes	**(16,478)**	**-**	**(16,478)**
Balance at June 30, 2018	**$ 432,532**	**$ -**	**$ 432,532**

Changes in assumptions included the discount rate changed from 2.49% to 3.13% the trend assumption was updated and the assumption for salary was updated to 5%.

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

The following is a sensitivity analysis of the net postemployment benefit liability to changes in the discount rate. The table below presents the net postemployment benefit liability calculated using the discount rate of 3.13% as well as what the net postemployment benefit liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net Postemployment Benefit Liability	**$ 473,503**	**$ 432,532**	**$ 396,997**

Note 12 - Postemployment Benefits Other than Pensions (continued)

Sensitivity of the Authority's Net Postemployment Benefit Liability to Changes in the Healthcare Cost Trend Rate

The following is a sensitivity analysis of the net postemployment benefit liability to changes in the healthcare cost trend rate. The table below presents the net postemployment benefit liability calculated using the healthcare cost trend rate of 6.00% as well as what the net postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Net Postemployment Benefit Liability	$ 407,181	$ 432,532	$ 462,016

Note 13 - 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, 2018 and 2017, the Authority has accumulated $178,356 and $121,551, respectively.

Note 14 - Risk Management

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

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance (SAFTI) Property & 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; crime, boiler and machinery; and public officials' errors and omissions insurance coverage. The agreement for formation of the SAFTI Property & Liability Pool provides that the SAFTI Property & Liability Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified for each type of coverage. In the event annual premiums are not sufficient to fund operations or obligations of the SAFTI Property & Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Property & Liability Pool and charged to operations during the years ended June 30, 2018 and 2017 amounted to $279,257 and $290,038, respectively.

Note 14 - Risk Management (continued)

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the SAFTI Workers' Compensation Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the SAFTI Workers' Compensation Pool for its workers' compensation insurance coverage. The agreement for formation of the SAFTI Workers' Compensation Pool provides that the SAFTI Workers' Compensation Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified. In the event annual premiums are not sufficient to fund operations or obligations of the SAFTI Workers' Compensation Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Workers' Compensation Pool and charged to operations during the years ended June 30, 2018 and 2017 amounted to $143,653 and $157,299, respectively, which was net of premium refunds in the amounts of $150,249 and $169,687, respectively.

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

For the years ended June 30, 2018 and 2017, 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, 2018, 2017, and 2016.

Note 15 - 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 2018 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, 2018. As of July 1, 2017, the lease was transferred to SCTA.

Capital Purchases

The Authority has capital commitments of approximately $35,000. These expenditures will be funded through a federal capital grant.

Note 15 - Commitments and Contingencies (continued)

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 of Pennsylvania 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 May 31, 2019. Of the Authority's total workforce, 100% is covered under the collective bargaining agreement.

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.

Note 15 - Commitments and Contingencies (continued)

Contingencies (continued)

Litigation (continued)

Perrotto Builders, Ltd. v. Red Rose Transit Authority (continued)

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. RRTA contends that Perrotto's claims for damages will be more than offset by the amount of damages for which RRTA contends Perrotto is liable.

Mediation of the disputes between Perrotto and RRTA has been unsuccessful. The trial judge recently consolidated the two actions with related cases, and they are looking to establish case management guidelines for discovery. They also directed the parties to participate in settlement conferences with a colleague, and those are in progress.

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. RRTA joined Perrotto and design professional, Timothy Haahs and Associates, Inc., as additional defendants in this action. These actions have been consolidated with the Perrotto/RRTA actions. Discovery in this action and related cases continues in Lancaster County.

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 have therefore been consolidated.

Note 15 - Commitments and Contingencies (continued)

Contingencies (continued)

Litigation (continued)

Perrotto v. Haahs v. Red Rose Transit Authority (continued)

Haahs joined RRTA in this action claiming that RRTA is liable for some of the damages sought by Perrotto. The attorney filed preliminary objections to Haahs' joinder of RRTA, but the Court denied RRTA's objections. RRTA will continue to vigorously defend.

Note 16 - Management Agreement

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. 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 leased all of its transportation operations to SCTA and provides fixed-route and paratransit service for SCTA in exchange for SCTA funding the operating deficit of the Authority. During the years ended June 30, 2018 and 2017, the Authority received \$6,505,896 and \$6,313,611, respectively, in operating revenue from SCTA in exchange for the services provided.

Note 17 - Restatement of 2016 and 2017 Financial Statements

The Authority’s beginning net position has been restated to properly reflect the effect of the implementation of GASB 75. The June 30, 2017 and 2016 financial statements, as previously issued, were restated for this correction.

	Statement of Net Position, June 30, 2016		
	As Previously Reported	As Restated	Effect of Changes
Liabilities			
Postemployment benefit liability	$ (174,232)	$ (390,224)	$ (215,992)
Net Position			
Unrestricted net position (deficit)	$ (346,341)	$ (562,333)	$ 215,992
Total Net Position	$ 41,045,999	$ 40,830,007	$ (215,992)

Note 17 - Restatement of 2016 and 2017 Financial Statements (continued)

	Statement of Net Position, June 30, 2017		
	As Previously Reported	**As Restated**	**Effect of Changes**
Deferred Outflow of Resources			
Postemployment benefit liability	$ -	$ 44,568	$ 44,568
Liabilities			
Postemployment benefit liability	$ (216,007)	$ (449,010)	$ (233,003)
Net Position			
Unrestricted net position	$ (69,245)	$ (257,680)	$ (188,435)
Total Net Position	$ 40,004,542	$ 39,816,107	$ (188,435)
	Statement of Revenues, Expenses and Changes in Net Position, June 30, 2017		
Operating Expense			
Fringe benefits	$ 29,007	$ 43,225	$ 14,218
Increase (Decrease) in Net Position	$ (1,041,457)	$ (1,055,675)	$ (14,218)

Note 18 - Reclassification of Prior Year Amounts

Certain items in the June 30, 2017 financial statements have been reclassified to conform with the June 30, 2018 presentation. The reclassification had no impact on the decrease in net position.

Note 19 - Subsequent Events

The Authority has evaluated subsequent events through December 10, 2018. This date is the date the financial statements were available to be issued. No material events subsequent to June 30, 2018 were noted.

Red Rose Transit Authority

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

	RRTA Pension Plan			
	Years Ended June 30,			
	2018	**2017**	**2016**	**2015**
Total Pension Liability				
Service cost	**$ 211,625**	$ 163,288	$ 155,512	$ 154,836
Interest cost	**587,766**	543,842	521,498	492,015
Benefit payments, including refunds of member contributions	**(494,062)**	(419,742)	(354,003)	(370,319)
Changes in benefit terms	**453,253**	-	266,367	-
Changes for experience	**(166,169)**	-	(158,619)	-
Net Change in Total Pension Liability	**592,413**	287,388	430,755	276,532
Total Pension Liability, Beginning	**7,585,197**	7,297,809	6,867,054	6,590,522
Total Pension Liability, Ending	**$ 8,177,610**	$ 7,585,197	$ 7,297,809	$ 6,867,054
Plan Fiduciary Net Position				
Contributions - employer	**$ 364,184**	$ 338,910	$ 343,477	$ 312,685
Contributions - member	**245,770**	224,967	220,925	207,947
Net investment income	**571,708**	670,635	93,302	127,649
Benefit payments, including refunds of member contributions	**(494,062)**	(419,742)	(354,003)	(370,319)
Administrative expense	**(13,475)**	(18,475)	-	(7,900)
Net Change in Plan Fiduciary Net Position	**674,125**	796,295	303,701	270,062
Plan Net Position, Beginning	**7,373,602**	6,577,307	6,273,606	6,003,544
Plan Net Position, Ending	**$ 8,047,727**	$ 7,373,602	$ 6,577,307	$ 6,273,606
Authority's Net Pension Liability	**$ 129,883**	$ 211,595	$ 720,502	$ 593,448
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**98.4%**	97.2%	90.1%	91.4%
Covered Employee Payroll	**$ 3,871,556**	$ 3,720,748	$ 3,375,258	$ 3,312,473
Authority's Net Pension Liability as a Percentage of Covered Employee Payroll	**3.4%**	5.7%	21.3%	17.9%

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

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
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	9.44
2016	238,070	343,477	(105,407)	3,375,258	10.18
2017	231,423	338,910	(107,487)	3,720,748	9.11
2018	**202,267**	**364,184**	**(161,917)**	**3,871,556**	**9.41**

Actuarial Methods and Assumptions

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

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

Actuarial Valuation Date	7/1/2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	Three 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, 2016	$ 54.50
After March 31, 2017	58.00
After March 31, 2018	61.50
After March 31, 2019	65.00

Schedule of Pension Contributions - Employees' Pension Plan (continued)
Last Ten Fiscal Years

Contributions

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

Red Rose Transit Authority

Schedule of Changes in Postemployment Benefit Liability and Related Ratios
Last Ten Fiscal Years*

	Years Ended June 30, 2018	2017
Total Postemployment Benefit Liability		
Service cost	**$ 26,462**	$ 20,776
Interest cost	**11,425**	15,021
Changes in assumptions**	**(23,618)**	51,996
Benefit payments	**(30,747)**	(29,007)
Net Change in Total Postemployment Benefit Liability	**(16,478)**	58,786
Total Postemployment Benefit Liability, Beginning	**449,010**	390,224
Total Postemployment Benefit Liability, Ending	**$ 432,532**	$ 449,010
Covered Employee Payroll	**$ 2,354,365**	$ 2,354,365
Authority's Net Postemployment Benefit Liability as a Percentage of Covered Employee Payroll	**18.37%**	19.07%

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

** Changes in assumptions included in the discount rate changed from 2.49% to 3.13%, the trend assumption was updated and the assumptions for salary, mortality, and retirement were updated based on new PSERS assumptions.

No assets have been accumulated for the payment of benefits

Actuarial Assumptions and Methonds

Actuarial Valuation Date	July 1, 2017
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value
Interest Rate	3.13% per annum based on S&P Municipal Bond 20 year high grade rate index at July 1, 2017
Healthcare Inflation Rate	Declining scale from 6.00% in 2017, and 5.50% through 2023. Rates gradually decrease from 5.40% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Salary	Assumptions for salary increases is used only for spreading contributions over future pay under entry age normal cost method. For this purpose salary increases are assumed to be 5.00%.
Mortality	RP 2000 Table
Retirement	Latest of age 62, age at the completion of ten years of service, or age on the valuation date
Election of Coverage	40% medical and prescription coverage, 100% receive death benefit
Percent Married at Retirement	15% are assumed married and have a covered spouse at retirement

FOCUSED. ON YOU.

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

Independent Auditor's Report

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

We have audited, in accordance with the 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 and the audit requirements of the Pennsylvania Department of Transportation, the financial statements of the Red Rose Transit Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Red Rose Transit Authority's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

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

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

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

1800 Fruitville Pike, P.O. Box 8408, Lancaster, PA 17604 Main: 717.394.5666 Fax: 717.394.0693 RKLcpa.com

Compliance and Other Matters

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

Purpose of this Report

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

RKL LLP

December 10, 2018
Lancaster, Pennsylvania