

**CAPITAL DISTRICT  
TRANSPORTATION AUTHORITY  
(A Component Unit of the State of New York)**

**FINANCIAL STATEMENTS**

**March 31, 2012**

# CAPITAL DISTRICT TRANSPORTATION AUTHORITY

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Capital District Transportation Authority

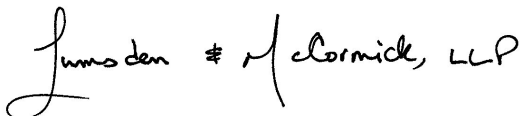
We have audited the accompanying balance sheets of Capital District Transportation Authority (the Authority) (a component unit of the State of New York) as of March 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012 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, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) on pages i through v (preceding the financial statements) and the schedule of funding progress for other postemployment benefits on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.



May 25, 2012

**CAPITAL DISTRICT TRANSPORTATION AUTHORITY**  
**(A Component Unit of the State of New York)**

**Management's Discussion and Analysis**  
**For the Year Ended March 31, 2012**  
**(Unaudited)**

**Introduction**

This Management Discussion and Analysis (MD&A) of the Capital District Transportation Authority ("CDTA" or "Authority") provides an introduction to the major activities affecting the operations of the Authority and an overview of the financial performance and financial statements of CDTA for the fiscal years ended March 31, 2012, 2011 and 2010.

Following the MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The financial statements include the following: balance sheets; statements of revenues, expenses, and changes in net assets; and statements of cash flows. The balance sheets provide a snapshot of CDTA's financial condition at March 31, 2012 and 2011. The statements of revenues, expenses, and changes in net assets report the results of CDTA's operations and activities for the years ended March 31, 2012 and 2011. The statements of cash flows report CDTA's sources and uses of cash from operating, non-capital financing, capital and related financing, and investing activities for the years ended March 31, 2012 and 2011.

**Financial Position**

The summarized balance sheets below provide a snapshot of the financial condition of CDTA as of March 31 of each fiscal year. Increases or decreases in net assets may indicate a strengthening or weakening of the Authority's financial position over time.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets:</b>			
Current assets	\$ 44,639,785	\$ 42,703,067	\$ 46,842,144
Capital assets, net	114,543,456	121,347,828	107,776,516
<b>Total assets</b>	<u>\$ 159,183,241</u>	<u>\$ 164,050,895</u>	<u>\$ 154,618,660</u>
<b>Liabilities and net assets:</b>			
Current liabilities	\$ 7,233,847	\$ 6,102,678	\$ 9,526,949
Noncurrent liabilities	38,670,772	26,833,488	20,920,951
Total liabilities	<u>45,904,619</u>	<u>32,936,166</u>	<u>30,447,900</u>
Net assets:			
Invested in capital assets	114,543,456	121,347,828	107,776,516
Unrestricted	<u>(1,264,834)</u>	<u>9,766,901</u>	<u>16,394,244</u>
Total net assets	<u>113,278,622</u>	<u>131,114,729</u>	<u>124,170,760</u>
<b>Total liabilities and net assets</b>	<u>\$ 159,183,241</u>	<u>\$ 164,050,895</u>	<u>\$ 154,618,660</u>

Current assets, comprised mainly of cash, investments and accounts receivable, include restricted proceeds of approximately \$8 million received under a vehicle replacement leasing arrangement during fiscal 2012 and not used for such purchases before year end. This increase in current assets was partially offset by a decrease in grants receivable and a decrease in investments as reserves were used to fund current operations in 2012. Current assets decreased \$4.1 million from 2010 to 2011, primarily due to a decrease in outstanding grants receivable at March 31, 2011.

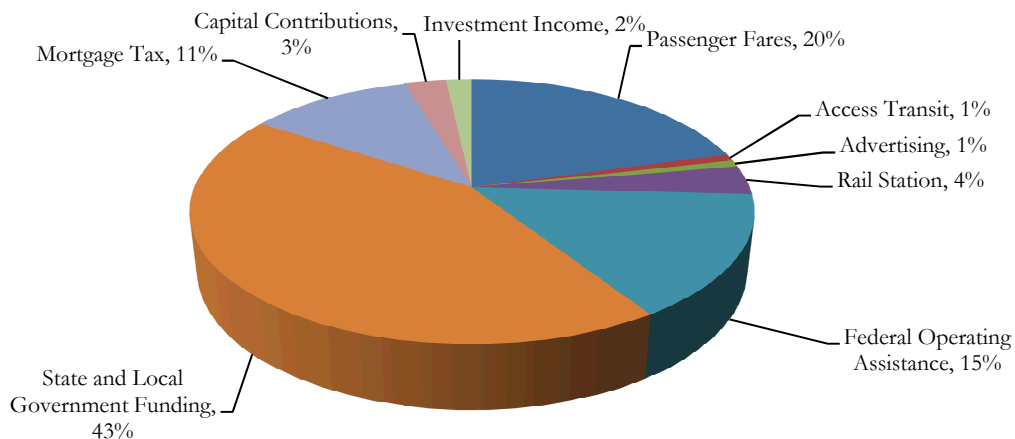
Net capital assets, which reflect the cost of capital assets net of accumulated depreciation, decreased \$6.8 million after disposals in 2012, and increased by \$13.6 million in 2011. During 2012 and 2011, there were capital additions of \$4.8 million and \$25.7 million, offset by depreciation of \$11.6 million and \$12.1 million.

The large variance in capital additions is due to the timing of bus purchases. In 2011, 40 vehicles were purchased, double the yearly planned replacement due to the receipt of American Recovery and Reinvestment Act (ARRA) funds. No vehicles were purchased in 2012.

Total liabilities increased \$13.0 million from 2011, primarily due to the vehicle replacement leasing arrangement to finance up to 25 new transit busses by November 2013. The lease term, including renewal options, extends through 2021. Additionally, the liability for postemployment benefits other than pensions required to be accrued by Governmental Accounting Standards Board Statement No. 45 (GASB 45) increased by \$4.7 million in 2012. Total liabilities increased \$2.5 million during 2011, primarily due to the \$5.9 million increase in other postemployment benefits, offset by a decrease of \$3.4 million in other current obligations.

## Revenue Summary

The chart below summarizes the 2012 revenue by source and is followed by a chart showing the amounts associated with each category.



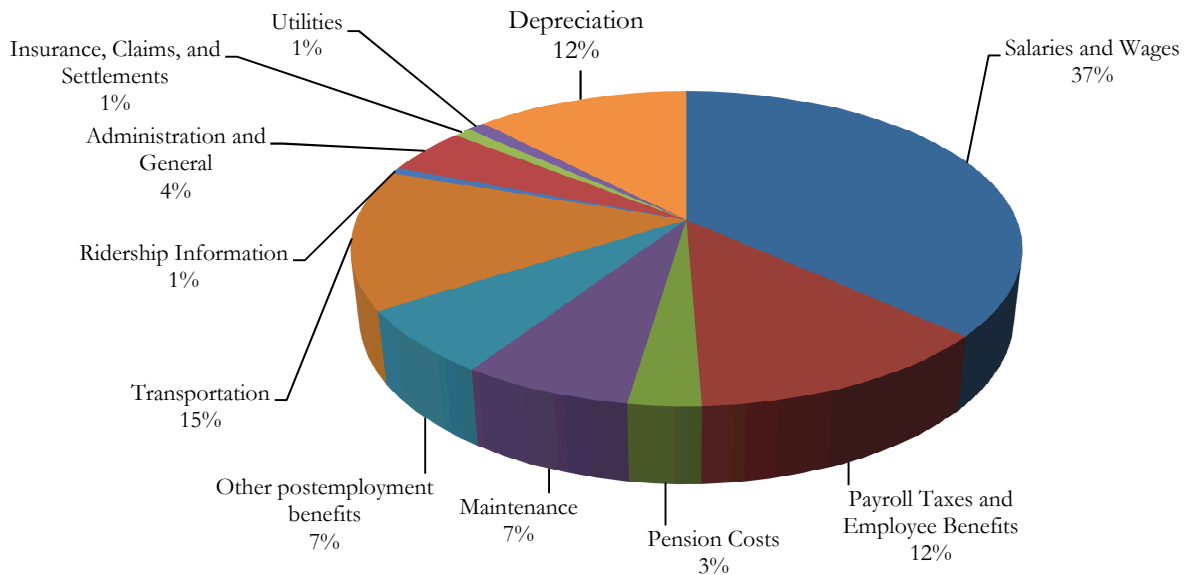
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Operating revenue:</b>			
Passenger fares	\$ 15,807,301	\$ 15,034,484	\$ 15,414,673
Access Transit	637,969	906,663	857,974
Advertising	716,603	549,333	528,500
Rail Stations	2,689,461	2,383,712	2,164,392
Total operating revenues	<u>19,851,334</u>	<u>18,874,192</u>	<u>18,965,539</u>
<b>Non-operating revenue:</b>			
Capital contributions	2,152,542	23,652,536	11,337,617
Federal operating assistance	11,457,345	9,794,690	15,290,978
State and local government funding	32,999,033	33,056,961	34,055,252
Mortgage tax	8,584,578	9,602,544	10,091,733
Investment income and other	1,308,617	872,019	360,614
Total non-operating revenue	<u>56,502,115</u>	<u>76,978,750</u>	<u>71,136,194</u>
Total revenue	<u>\$ 76,353,449</u>	<u>\$ 95,852,942</u>	<u>\$ 90,101,733</u>

Although operating revenue decreased slightly from 2010 to 2011, there was an increase of \$977,000 from 2011 to 2012. Revenue increases of approximately \$800,000 are due to service enhancements like Bus Plus and Albany Route Restructuring resulting in increased ridership. Parking revenue at the Rensselaer Rail Station increased \$200,000. Adding more universities/colleges to our Universal Access program has also positively impacted ridership.

Non-operating revenue dropped over 26% from 2011 to 2012 due to several factors. Most significant was the timing of federally funded bus purchases. In 2011, 40 vehicles were purchased with ARRA funds; however, no vehicles were funded in 2012. Mortgage taxes decreased over \$1 million from 2011 to 2012, and \$.5 million from 2010 to 2011. However, the 2012 end of the year receipts were far better than the beginning of the year indicating that this revenue source may continue to improve.

### Expense Summary

Excluding depreciation, operational expenses increased \$5.8 million or 7.6% compared to fiscal 2011. The table below gives an overview of the 2012 expenses and is followed by a chart showing the amounts expended by category.



	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Expenses:</b>			
Salaries and wages	\$ 34,617,849	\$ 33,316,283	\$ 32,567,897
Payroll taxes and employee benefits	11,908,803	10,848,153	11,343,558
Pension costs	2,780,380	2,471,812	2,261,443
Other postemployment benefits	6,274,876	7,480,192	7,727,320
Maintenance	6,521,037	6,779,617	8,598,205
Transportation	14,148,975	9,446,836	12,799,826
Ridership information	589,946	494,655	705,361
Administration and general	3,877,836	3,274,610	3,579,022
Insurance, claims and settlements	908,516	1,475,973	1,004,412
Utilities	988,293	1,213,312	1,118,001
	<u>82,616,511</u>	<u>76,801,443</u>	<u>81,705,045</u>
Depreciation	11,573,045	12,107,530	11,710,370
High Speed Rail initiative	-	-	9,047
Total expenses	<u>\$ 94,189,556</u>	<u>\$ 88,908,973</u>	<u>\$ 93,424,462</u>

Total expenses increased \$5.3 million in 2012, \$3.5 million of which is due to contracted transportation and the facilitation arrangement we have with the New York State Department of Transportation (NYSDOT) and Adirondack Trailways (ATL). ATL was reimbursed for two years of supplemental public transportation service during 2012. There was no reimbursement under this program in 2011. Another important factor in the \$1 million expense increase is the use of taxis to help manage increasing demand for STAR (Special Transit Available by Request), a para-transit service offering transportation alternatives to people with disabilities or impairments. All personnel related costs increased by \$1.5 million from 2011 to 2012; however, that increase was offset by decreases in maintenance, insurance, and utility expenses.

Excluding depreciation and other postemployment benefits, 2011 operational expenses decreased \$4.7 million or 6% compared to fiscal 2010 as personnel expenses remained consistent and the Authority experienced significant savings in major operational areas related to maintenance, transportation and administration. Factors such as the accumulation of small scale service consolidations, improved processes, and the purchase of 40 new vehicles contributed to the 2011 savings.

## Capital Assets

Capital assets, net of depreciation, are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 1,529,981	\$ 1,529,981	\$ 1,529,981
Construction in progress	1,714,884	1,431,073	320,270
Buildings and improvements	55,437,703	57,420,991	59,316,934
Revenue equipment	46,541,603	51,013,192	36,028,462
Service equipment and vehicles	1,256,109	1,380,809	1,270,812
Furniture and fixtures	8,063,176	8,571,782	9,310,057
	<u>\$ 114,543,456</u>	<u>\$ 121,347,828</u>	<u>\$ 107,776,516</u>

Capital additions in 2012 totaled \$4.8 million, consisting primarily of revenue and other equipment, offset by disposals of buses and vehicles totaling \$4.9 million. Capital additions in 2011 totaled \$25.7 million, offset by disposals of \$9.1 million.

## **Factors Impacting the Authority's Future:**

Several major factors will impact the Authority's future:

The extension of SAFETEA-LU, the federal legislation that funds transit agencies, did not occur for the third consecutive year. Therefore significant legislative changes, most notably provisions for operating expenses, have yet to be addressed. New York State has recognized the contribution public transportation makes in its communities and increased funding to the Authority by \$2.0 million for 2013, after several years of flat or decreased funding.

Other revenue sources such as mortgage recording taxes and customer revenue continue to fluctuate. Mortgage recording taxes have decreased every year since 2008; however, they appear to be rebounding in the short term. This variability makes budget planning difficult. Customer revenues were strong in 2012 due to service enhancements and an increase in university/college contracts. We anticipate that will continue into 2013.

In response to the continued funding uncertainties and legislation, the Authority took steps to "right-size" the organization. This consists of redesigning services to better match expected funding. This means less service; however, the restructuring is designed to maintain as much reach as possible. The plan also calls for the use of attrition to manage personnel costs, the most significant expense of the Authority. Other than attrition, there are no other planned personnel reductions.

The ability to proactively meet future capital needs is a continuing concern. The use of federal funding allocations to pay for operational expenses may jeopardize the Authority's ability to meet the goal of replacing 1/12<sup>th</sup> of its fleet annually.

The liability for postemployment benefits other than pensions is currently unfunded. The Authority plans to continue funding this liability on the pay-as-you-go basis.

## **Request for Information**

The Management Discussion and Analysis is intended to provide general information related to operations for 2012. Questions concerning this information or requests for additional information can be directed to Michael P. Collins, Vice President for Administration and Finance, Capital District Transportation Authority, 110 Watervliet Avenue, Albany, New York 12206, or telephone 518-437-8330.



CAPITAL DISTRICT TRANSPORTATION AUTHORITY

**Balance Sheets**

March 31,	2012	2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 6,144,177	\$ 4,742,754
Investments	20,771,663	24,534,658
Restricted investments	7,987,610	-
Receivables:		
Mortgage tax	774,197	622,774
Federal grants	2,591,079	5,888,627
State grants	898,905	1,796,971
Trade and other	1,285,205	1,334,485
Advances to related party	640,486	734,000
Materials, parts and supplies	2,560,062	2,607,488
Prepaid expenses	986,401	441,310
	<u>44,639,785</u>	<u>42,703,067</u>
<b>Noncurrent assets:</b>		
Capital assets, net	114,543,456	121,347,828
<b>Total assets</b>	<b>\$ 159,183,241</b>	<b>\$ 164,050,895</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,833,532	\$ 1,699,218
Current portion of obligations under lease/purchase	702,678	-
Accrued expenses	3,761,426	3,535,751
Deferred passenger revenue	936,211	867,709
	<u>7,233,847</u>	<u>6,102,678</u>
<b>Noncurrent liabilities:</b>		
Obligations under lease/purchase	7,297,322	-
Estimated provision for claims and settlements	8,841,800	9,052,600
Other postemployment benefits	22,531,650	17,780,888
	<u>38,670,772</u>	<u>26,833,488</u>
<b>Total liabilities</b>	<b>45,904,619</b>	<b>32,936,166</b>
<b>Net Assets</b>		
Invested in capital assets	114,543,456	121,347,828
Unrestricted	(1,264,834)	9,766,901
<b>Total net assets</b>	<b>113,278,622</b>	<b>131,114,729</b>
<b>Total liabilities and net assets</b>	<b>\$ 159,183,241</b>	<b>\$ 164,050,895</b>

See accompanying notes.

CAPITAL DISTRICT TRANSPORTATION AUTHORITY

**Statements of Revenues, Expenses, and Changes in Net Assets**

For the years ended March 31,	2012	2011
<b>Operating revenues:</b>		
Passenger	\$ 15,807,301	\$ 15,034,484
Access Transit	637,969	906,663
Advertising	716,603	549,333
Rail station parking and rentals	2,689,461	2,383,712
<b>Total operating revenues</b>	<b>19,851,334</b>	<b>18,874,192</b>
<b>Operating expenses:</b>		
Salaries and wages	34,617,849	33,316,283
Payroll taxes and employee benefits	11,908,803	10,848,153
Pension costs	2,780,380	2,471,812
Other postemployment benefits	6,274,876	7,480,192
Maintenance	6,521,037	6,779,617
Transportation	14,148,975	9,446,836
Ridership information	589,946	494,655
Administration and general	3,877,836	3,274,610
Insurance, claims and settlements	908,516	1,475,973
Utilities	988,293	1,213,312
<b>Total operating expenses before depreciation</b>	<b>82,616,511</b>	<b>76,801,443</b>
<b>Operating loss before depreciation</b>	<b>(62,765,177)</b>	<b>(57,927,251)</b>
Depreciation	(11,573,045)	(12,107,530)
<b>Operating loss</b>	<b>(74,338,222)</b>	<b>(70,034,781)</b>
<b>Non-operating revenues:</b>		
Federal operating assistance	11,457,345	9,794,690
State and local government funding	32,999,033	33,056,961
Mortgage tax	8,584,578	9,602,544
Investment income	1,038,663	812,720
Other non-operating revenues	269,954	59,299
<b>Total non-operating revenues</b>	<b>54,349,573</b>	<b>53,326,214</b>
<b>Change in net assets before capital contributions</b>	<b>(19,988,649)</b>	<b>(16,708,567)</b>
Capital contributions	2,152,542	23,652,536
<b>Change in net assets</b>	<b>(17,836,107)</b>	<b>6,943,969</b>
<b>Net assets - beginning of year</b>	<b>131,114,729</b>	<b>124,170,760</b>
<b>Net assets - end of year</b>	<b>\$ 113,278,622</b>	<b>\$ 131,114,729</b>

See accompanying notes.

CAPITAL DISTRICT TRANSPORTATION AUTHORITY

**Statements of Cash Flows**

For the years ended March 31,	2012	2011
<b>Operating activities:</b>		
Cash received from passengers	\$ 15,925,083	\$ 15,655,428
Cash payments to suppliers for goods and services	(36,664,010)	(36,243,384)
Cash payments to employees for salaries and wages	(41,550,215)	(38,207,493)
Other operating revenues received	4,044,033	3,839,708
<b>Net operating activities</b>	<b>(58,245,109)</b>	<b>(54,955,741)</b>
<b>Non-capital financing activities:</b>		
Operating assistance, governmental funding and mortgage tax received	57,085,147	56,570,214
Other non-operating revenues received	213,635	101,750
Advances received from (repaid to) related party	93,514	(120,466)
Payments for interest	-	(60,231)
<b>Net non-capital financing activities</b>	<b>57,392,296</b>	<b>56,491,267</b>
<b>Capital and related financing activities:</b>		
Proceeds from sales of capital assets	56,398	65,854
Acquisition of capital assets	(4,768,752)	(25,726,916)
Capital contributed under grants	2,152,542	23,652,536
<b>Net capital and related financing activities</b>	<b>(2,559,812)</b>	<b>(2,008,526)</b>
<b>Investing activities:</b>		
Interest received on investments	536,462	587,007
Proceeds from sales and maturities of investments	11,236,700	37,781,621
Purchases of investments	(6,959,114)	(37,110,717)
<b>Net investing activities</b>	<b>4,814,048</b>	<b>1,257,911</b>
<b>Net change in cash</b>	<b>1,401,423</b>	<b>784,911</b>
Cash, beginning of year	4,742,754	3,957,843
Cash, end of year	\$ 6,144,177	\$ 4,742,754
Reconciliation of operating income to net cash used for operating activities:		
Operating loss	\$ (74,338,222)	\$ (70,034,781)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	11,573,045	12,107,530
Other postemployment benefits	4,750,762	5,913,237
Changes in assets and liabilities:		
Trade and other receivables	49,280	370,432
Materials, parts and supplies	47,426	170,932
Prepaid expenses	(545,091)	(58,120)
Accounts payable	134,314	(3,718,489)
Accrued expenses	225,675	43,706
Deferred passenger revenue	68,502	250,512
Estimated provision for claims and settlements	(210,800)	(700)
<b>Net cash used for operating activities</b>	<b>\$ (58,245,109)</b>	<b>\$ (54,955,741)</b>

See accompanying notes.

**Notes to Basic Financial Statements**

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**1. Financial Reporting Entity:**

The Capital District Transportation Authority (the Authority) is a public benefit corporation created by New York State (the State), effective August 1, 1970, under Chapters 460 and 461 of the Laws of 1970 (the Law). The purposes of the Authority, as defined by legislation, are “the continuance, further development and improvement of transportation and other services related thereto, within the Capital District Transportation District, by railroad, omnibus, marine and air, in accordance with the provisions of the Law.” The Law conveys broad powers to the Authority to fulfill its purposes in Albany, Schenectady, Rensselaer and Saratoga Counties in New York State, with a provision for other counties to elect to participate. The properties and income of the Authority are exempt from all Federal and State income and franchise taxes under the provisions of the enabling legislation.

The Authority follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, and provides additional guidance to determine whether an affiliated organization is considered a component unit of a financial reporting entity. The Authority is included in the basic financial statements of the State as an enterprise fund.

The Authority’s basic financial statements include, as blended component units, three public benefit corporations which have been created as operating subsidiaries of the Authority to provide mass transit omnibus operations in the counties of Albany, Schenectady, Rensselaer and Saratoga:

- Capital District Transit System, which acquired the assets and liabilities of the former Schenectady Transit System in 1971.
- Capital District Transportation System Number One, which purchased certain assets of the United Traction Company from Albany County in August 1972.
- Capital District Transportation System Number Two, which provides rural bus service in the counties of Rensselaer and Saratoga and certain demand response (handicapped) services in the cities of Albany, Troy and Schenectady. In April 2003, this entity also commenced operating a Northway commuter bus service that was previously operated by Saratoga County.

The Authority’s financial statements also include as blended component units the accounts of the following two public benefit corporations which were created as subsidiaries of the Authority to provide other transportation related services:

- Access Transit Services, Inc. (Access), incorporated in November 1997, provides Medicaid transportation services to qualifying individuals in Schenectady and Rensselaer Counties.
- CDTA Facilities, Inc., incorporated in September 2002, owns and operates the Rensselaer Rail Station and Saratoga Rail Station.

## **2. Summary of Significant Accounting Policies:**

### **Basis of Presentation**

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

### **Measurement Focus**

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses and changes in net assets are those that generally result from exchange transactions such as payments received for services and payments made to purchase those goods or services. Certain other transactions are reported as non-operating activities and include government funding and investment income.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Investments**

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments consist primarily of government obligations, stated at market value. Securities are held by pledging institutions' agents in the Authority's name.

### **Materials, Parts and Supplies**

Materials, parts and supplies are stated at average cost, net of an allowance for obsolescence of approximately \$350,000 at March 31, 2012 and 2011.

### **Restricted Investments**

Restricted investments, consisting primarily of fully secured corporate bonds maturing June 22, 2012, are maintained in a custodial account until transit equipment is purchased as required by a lease/purchase agreement with a financial institution (Note 5). Restricted investments are stated at cost which approximates fair value at March 31, 2012.

## Capital Assets

Capital assets are reported at actual historical cost. For assets being depreciated, expense is calculated over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life
Buildings and improvements	\$5,000	10-40 years
Revenue equipment	\$5,000	4-12 years
Service equipment and vehicles	\$5,000	3-7 years
Furniture and fixtures	\$5,000	5-7 years

## Compensated Absences

The Authority provides for vacation, sick and compensatory time that is attributable to services already rendered. The liabilities are recorded based on employees' rates of pay as of the end of the fiscal year, and include all payroll related liabilities. In the event of a voluntary termination, an employee is reimbursed for accumulated vacation days up to a stated maximum. In addition, upon retirement, union employees are reimbursed for sixty percent of all accumulated sick days, up to a stated maximum, as specified in contractual agreements.

## Net Assets

- *Invested in capital assets* – consists of net capital assets typically reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of the assets; however, the Authority has no outstanding debt related to purchased capital assets at this time.
- *Restricted net assets* – consists of net assets subject to externally imposed restrictions by creditors (such as through debt covenants), federal or state laws or enabling legislation. Currently, there are no restricted net assets.
- *Unrestricted* – consists of all other net assets that do not meet the definition of the above restrictions and are available for general use of the Authority.

## Operating Revenues

The Authority derives passenger revenues from farebox rider payments and the advance sale of transit passes. Amounts received from these advance sales are credited to deferred revenue at the time of sale. As passes are redeemed, passenger revenue is recognized. Deferred passenger revenue represents the face value of unexpired transit passes at year end. Access revenues are primarily comprised of revenues earned from facilitating transportation services for Medicaid qualified individuals. Rail station parking and rental revenues are comprised of parking receipts and rentals earned at the Authority's Rensselaer and Saratoga Rail Stations.

## Capital Contributions

Capital contributions are derived from capital project grants and other resources which are restricted to or available for capital asset acquisition or construction. The Authority recognizes capital contributions arising from capital project grants when earned (generally when the related capital expenditure is made). Capital project grants generally require the Authority to match a certain percentage of the capital project grant funds.

### 3. Cash and Investments:

The Authority has a written investment policy that applies to all its investments. The policy allows for the following investments:

- Certificates of Deposits in banks doing business in New York State which are also members of the Federal Deposit Insurance Corporation (FDIC)
- Deposits in money market accounts in banks specified above
- Money market funds that invest exclusively in obligations of the United States Government or one of its agencies
- Obligations of the State, the United States Government or Agencies of the United States Government, or obligations guaranteed as to principal and interest by one of these entities

The amount of investments by type and maturities at March 31, 2012 and 2011 are presented below:

March 31, 2012				Maturities (in Years)		
Investment type	Rates	Fair value	% of total	Less than 1	1-5	5-9
Certificates of Deposit	0.5-1.3%	\$ 1,825,309	8.8%	\$ -	\$ 1,825,309	\$ -
Federal Agency notes	0.30-5.3%	18,336,099	88.3%	8,126,769	3,439,208	6,770,122
Money market funds	0.01%	610,255	2.9%	610,255	-	-
		<u>\$ 20,771,663</u>	<u>100%</u>	<u>\$ 8,737,024</u>	<u>\$ 5,264,517</u>	<u>\$ 6,770,122</u>

March 31, 2011				Maturities (in Years)		
Investment type	Rates	Fair value	% of total	Less than 1	1-5	5-9
Federal Agency notes	0-5.5%	\$ 20,885,136	85.1%	\$ 2,482,423	\$ 10,316,309	\$ 8,086,404
Money market funds	0-.01%	3,649,522	14.9%	3,649,522	-	-
		<u>\$ 24,534,658</u>	<u>100.0%</u>	<u>\$ 6,131,945</u>	<u>\$ 10,316,309</u>	<u>\$ 8,086,404</u>

The Authority limits its investments to those investment banks or firms and brokers who have been in business for over five years, have invested over \$500 million in assets for their clients at the time of any investment made by the Authority, and have demonstrated a proven record of returns for their clients, in the past and present, that are above the rates of inflation.

Investments are designated for the following purposes:

	2012	2011
Operating	\$ 2,993,902	\$ 5,581,498
Vehicle replacement	2,930,249	2,917,010
Capital projects and local match	1,355,976	1,822,529
Risk retention	5,634,108	6,046,585
Workers' compensation self-insurance	7,857,428	8,167,036
Total investments	<u>\$ 20,771,663</u>	<u>\$ 24,534,658</u>

- Operating reserve: funds reserved for future operating contingencies
- Vehicle replacement reserve: funds reserved for the future replacement of vehicles
- Capital projects and local match reserve: funds reserved to pay for future capital projects and provide the local share to match federal and state grant funds

- Risk retention reserve: funds reserved to provide funding to cover potential future self-insurance liability claims
- Workers' compensation self-insurance reserve: funds reserved to pay for future workers' compensation self-insurance claims and any retroactive premiums that come due on previous workers' compensation plans maintained with an insurance carrier

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of March 31, 2012 and 2011, none of the Authority's bank deposits were exposed to custodial credit risk.

#### 4. Capital Assets:

	April 1, 2011	Additions	Reclassifications and Disposals	March 31, 2012
Capital assets not being depreciated:				
Land and improvements	\$ 1,529,981	\$ -	\$ -	\$ 1,529,981
Construction-in-progress	1,431,073	283,811	-	1,714,884
Total non-depreciated assets	2,961,054	283,811	-	3,244,865
Capital assets being depreciated:				
Building and improvements	87,205,044	688,294	-	87,893,338
Revenue equipment	118,268,056	2,379,600	(4,890,036)	115,757,620
Service equipment and vehicles	4,277,982	88,261	-	4,366,243
Furniture and equipment	14,372,776	1,328,729	-	15,701,505
Total depreciated assets	224,123,858	4,484,884	(4,890,036)	223,718,706
Less accumulated depreciation:				
Building and improvements	(29,784,053)	(2,671,582)	-	(32,455,635)
Revenue equipment	(67,254,864)	(6,851,167)	4,890,014	(69,216,017)
Service equipment and vehicles	(2,897,173)	(212,961)	-	(3,110,134)
Furniture and equipment	(5,800,994)	(1,837,335)	-	(7,638,329)
Total accumulated depreciation	(105,737,084)	(11,573,045)	4,890,014	(112,420,115)
Total depreciated assets, net	118,386,774	(7,088,161)	(22)	111,298,591
Total capital assets, net	\$ 121,347,828	\$ (6,804,350)	\$ (22)	\$ 114,543,456



	April 1, 2010	Additions	Reclassifications and Disposals	March 31, 2011
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 1,529,981	\$ -	\$ -	\$ 1,529,981
Construction-in-progress	320,270	1,110,803	-	1,431,073
Total non-depreciated assets	1,850,251	1,110,803	-	2,961,054
<b>Capital assets being depreciated:</b>				
Building and improvements	86,475,719	729,325	-	87,205,044
Revenue equipment	104,600,802	22,737,814	(9,070,560)	118,268,056
Service equipment and vehicles	3,998,132	279,850	-	4,277,982
Furniture and fixtures	13,503,652	869,124	-	14,372,776
Total depreciated assets	208,578,305	24,616,113	(9,070,560)	224,123,858
<b>Less accumulated depreciation:</b>				
Building and improvements	(27,158,785)	(2,625,268)	-	(29,784,053)
Revenue equipment	(68,572,340)	(7,705,010)	9,022,486	(67,254,864)
Service equipment and vehicles	(2,727,320)	(169,853)	-	(2,897,173)
Furniture and fixtures	(4,193,595)	(1,607,399)	-	(5,800,994)
Total accumulated depreciation	(102,652,040)	(12,107,530)	9,022,486	(105,737,084)
Total depreciated assets, net	105,926,265	12,508,583	(48,074)	118,386,774
Total capital assets, net	\$ 107,776,516	\$ 13,619,386	\$ (48,074)	\$ 121,347,828

## 5. Obligations Under Lease/Purchase:

On November 15, 2011, the Authority entered into an \$8,000,000 Master Equipment Lease/Purchase agreement (the lease agreement) with a financial institution to acquire up to twenty-five transit buses by November 15, 2013, the proceeds of which are maintained as restricted investments at March 31, 2012 (Note 1). The lease agreement consists of a one-year original term with nine consecutive renewal options through November 15, 2021, and contains a \$1 purchase option, exercisable beginning November 2016. Lease payments of \$462,071, including interest at 2.83%, are due semi-annually from June 2012 through December 2021.

Required lease payments subsequent to March 31, 2012 are as follows:

Years Ending	Principal	Interest
March 31,		
2013	\$ 702,678	\$ 221,463
2014	722,704	201,437
2015	743,302	180,839
2016	764,486	159,655
2017	786,274	137,868
2018-2022	4,280,556	340,154
	\$ 8,000,000	\$ 1,241,416

## 6. Public Support and Operating Assistance:

The Authority's operations are funded primarily by farebox revenues from passengers and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5309 of the Urban Mass Transportation Administration (UMTA) Act; Federal Department of Transportation; New York State; and Albany, Rensselaer, Schenectady and Saratoga Counties.

In addition to FTA funding, other non-operating revenues include the gross receipts tax, which is imposed by New York State on gas and oil companies and allocated to public transportation operators, and the mortgage recording tax, which is a tax imposed on substantially all mortgages granted within the Capital District Transportation District and collected by the various counties. Public support and operating assistance recognized for the years ended March 31, 2012 and 2011 were:

	<u>2012</u>	<u>2011</u>
FTA:		
Operating assistance	<u>\$ 11,457,345</u>	<u>\$ 9,794,690</u>
New York State:		
Public transit operating assistance	3,823,034	4,007,233
Gross receipts tax	<u>27,259,000</u>	<u>27,132,728</u>
Total New York State	<u>31,082,034</u>	<u>31,139,961</u>
Albany County:		
Mortgage recording tax	3,021,971	3,221,312
Operating assistance	<u>1,075,437</u>	<u>1,075,437</u>
Total Albany County	<u>4,097,408</u>	<u>4,296,749</u>
Rensselaer County:		
Mortgage recording tax	1,310,472	1,535,518
Operating assistance	<u>446,661</u>	<u>446,661</u>
Total Rensselaer County	<u>1,757,133</u>	<u>1,982,179</u>
Schenectady County:		
Mortgage recording tax	1,069,650	1,191,097
Operating assistance	<u>316,305</u>	<u>316,305</u>
Total Schenectady County	<u>1,385,955</u>	<u>1,507,402</u>
Saratoga County:		
Mortgage recording tax	3,182,485	3,654,617
Operating assistance	<u>78,596</u>	<u>78,597</u>
Total Saratoga County	<u>3,261,081</u>	<u>3,733,214</u>
	<u>\$ 53,040,956</u>	<u>\$ 52,454,195</u>

## **7. Advances to Capital District Transportation Committee:**

In accordance with an agreement between the Authority and the New York State Department of Transportation, the Authority functions as the “host agency” for the Capital District Transportation Committee (CDTC). As designated by this agreement, CDTC is the Capital District Regional Transportation Metropolitan Planning Organization and, as such, is the recipient of various Federal and State funded grants relating to regional transportation planning. The Committee’s board is composed of elected and appointed officials from each of the four counties; from each of the eight cities in the four counties; from the New York State Department of Transportation; the Capital District Transportation Authority; the Capital District Regional Planning Commission; and a member representing the area’s towns and villages. The Authority has no budgetary oversight and no responsibility for CDTC’s deficits or debts.

The Authority’s agreement with CDTC provides that the Authority assume certain responsibilities relating to grant management and accounting functions. Additionally, the Authority advances CDTC periodic working capital funds. Such advances, which do not bear interest, total \$640,486 and \$734,000 at March 31, 2012 and 2011.

The Authority’s financial statements do not include the assets, liabilities, revenues or expenses of CDTC.

## **8. Postemployment Healthcare Benefits:**

The Authority provides postemployment health care benefits for retirees meeting eligibility requirements based on date of hire, attainment of retirement age, and years of service. Benefits are provided in the form of insurance premium payments for coverage of eligible retirees and spouses. Employees retiring after January 1, 2007 contribute 10-15% of premiums, while employees retiring prior to January 1, 2007 are provided full coverage. Surviving spouses are entitled to continue coverage by paying 100% of the premiums. Benefit provisions and retiree contribution rates are determined through negotiations between the Authority and its employees or the collective bargaining units that represent its employees. The plan does not issue a publicly available financial report.

GASB Statement 45 (GASB 45) requires that the Authority recognize the cost of postemployment benefits during the periods when employees render the services that will ultimately entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes the following components:

- amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year
- normal cost which is the actuarially-determined cost of future OPEB earned in the current year

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (the Authority is using the maximum period allowed by GASB No. 45 of 30 years) as well as each year’s normal cost during that timeframe. A liability is recognized to the extent that actual funding of the plan is less than the ARC. This liability is reflected on the balance sheets as other postemployment benefits. The Authority’s Board of Directors has the authority to establish a funding policy for the plan. The current policy is to fund the plan to the extent of premium payments and reimbursements on the “pay as you go” basis.

A valuation of the Authority's postretirement health care benefits plan was performed for the purpose of determining its obligations and cost in accordance with GASB 45. The valuation reflects changes whereby as of September 2011, all current and future Medicare-eligible retirees may elect coverage through the CDPHP and MVP Medicare Advantage Plans, and upon Medicare eligibility, 45% of eligible retirees are assumed to move to a Medicare Advantage Plan. All other assumptions and plan provisions remain the same.

The following table summarizes the Authority's ARC, the amount actually contributed, and changes in the Authority's net OPEB obligation for the years ended March 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Annual requirement contribution		
Normal cost	\$ 2,972,120	\$ 3,735,900
Amortization of UAAL	<u>3,614,986</u>	4,383,488
Annual required contribution	<u>6,587,106</u>	8,119,388
Interest on OPEB obligation	711,431	457,292
ARC adjustment	<u>(1,023,661)</u>	(1,096,488)
Annual OPEB cost	<u>6,274,876</u>	7,480,192
Contributions made	<u>(1,524,114)</u>	(1,566,955)
Increase in OPEB obligation	4,750,762	5,913,237
Net OPEB obligation - beginning of year	<u>17,780,888</u>	11,867,651
Net OPEB obligation - end of year	<u>\$ 22,531,650</u>	<u>\$ 17,780,888</u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous three years were as follows:

Year Ended March 31,	OPEB Cost	OPEB Cost Contributed	OPEB Obligation
2012	\$ 6,274,876	24.3%	\$ 22,531,650
2011	\$ 7,480,192	20.9%	\$ 17,780,888
2010	\$ 7,727,320	18.6%	\$ 11,867,651

As of April 1, 2011, the most recent actuarial valuation date, the total actuarial accrued liability for future benefits was \$66,267,389, all of which is unfunded.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in health care costs and interest rates. The benefits will be subject to routine actuarial revaluations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Similarly, the April 1, 2011 and 2010 valuations reflected benefits and cost sharing in effect at the time. Any changes in these factors will impact the results of future valuations.

The actuarial calculations reflect a long-term perspective and utilize techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

- Healthcare cost trend: 7% - 8.5% next year, ultimately declining to 5% in 2020
- Actuarial cost method: Projected unit credit
- Amortization method: 30 years, open, level dollar
- Discount rate: 4%
- Mortality: RP-2000 Mortality Table for males and females
- Turnover: T-7 of the Pension Actuary's Handbook for Union employees and T-3 of the Pension Actuary's handbook for Authority employees
- Retirement incidence: Rates of retirement are based on the experience under the New York State Employees' Retirement System (ERS)
- Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect postemployment health care benefits. Effective September 2011, it was assumed that upon Medicare eligibility, 45% of eligible retirees will to move to a Medicare Plan.
- Spousal coverage: 50% of future retirees are assumed to elect spousal coverage upon retirement
- Per capita costs: All retiree plans are offered through the New York State Health Insurance Program (NYSHIP) Empire Plan

## 9. Retirement Plans:

### Employees of the Authority

The Authority participates in the New York State and Local Employees' Retirement System (ERS), which is a cost-sharing, multiple employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York, 12244.

ERS requires employee contributions of 3% of salary except for those who joined ERS before July 1976, or have greater than 10 years of service. Members joining the system on or after January 1, 2010 contribute 3% of their gross salary during the length of employment. The Comptroller annually certifies the rates expressed as a percentage of the wages of participants used to compute the contributions required to be made by employers to the pension accumulation fund.

The required contributions and rates over the past three years were:

	Contribution	
	Contribution	Rates
2012	\$ 743,749	12.7 - 15.8%
2011	\$ 509,749	9.1 - 11.3%
2010	\$ 391,549	7.0 - 9.3%

The Authority's contributions made to ERS were equal to 100% of the amounts required for each year.

## Deferred Compensation

The Authority offers its employees participation in the Deferred Compensation Plan for Employees of New York State (the Plan). The Plan, which is available to all Authority employees, permits participants to defer a portion of their salary until future years. Amounts deferred under the Plan are not available to employees until termination, retirement, death or unforeseeable emergency. Plan assets and liabilities are not included in these financial statements.

## Employees of Operating Subsidiaries

Union employees of the Authority's operating subsidiaries (blended component units) are covered by various pension plans that are sponsored by unions that represent those operating subsidiary employees. The Authority contributes to the plans based on negotiated benefits determined under various union agreements. Under these negotiated benefits, all employees having attained 60 days of service are eligible to participate in the Plans. Both the Authority and its employees contribute on a weekly basis. The Authority's contributions to the Plans are included in amounts recorded for pension expense and approximated \$2,036,800 and \$1,962,100 for the years ended March 31, 2012 and 2011.

## 10. Commitments and Contingencies:

### Risk and Risk Management

The Authority is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations and changes in law.

The Authority is also exposed to various risks of loss related to torts; damage to, theft of and destruction of assets; errors and omissions; natural disasters and employee injuries. To limit its exposure, the Authority purchases a variety of insurance policies, subject to specific deductibles and coverage limits. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

### Self-insured Claims

The Authority assumes liability for certain risks including personal injury and workers' compensation claims. Additionally, the Authority has specific excess workers' compensation insurance from a commercial insurer to cover claims made in excess of the coverage limits. Estimated liabilities for claims that are not covered by insurance have been reflected in the financial statements. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At March 31, 2012, the amount of these liabilities was \$7,833,000 for workers' compensation claims included in accrued liabilities on the accompanying balance sheets and \$1,008,800 for liability claims. These liabilities are the Authority's best estimates based on available information. Changes in the reported liability are from the following:

Fiscal Year	Liability at Beginning	Current- Year Claims and Changes in Estimates	Claim Payments	Liability at End
Workers' Compensation				
2012	\$ 7,542,100	\$ 2,109,900	\$ 1,819,000	\$ 7,833,000
2011	\$ 7,496,500	\$ 1,467,500	\$ 1,421,900	\$ 7,542,100
Liability				
2012	\$ 1,510,500	\$ 395,700	\$ 897,400	\$ 1,008,800
2011	\$ 1,556,800	\$ 942,600	\$ 988,900	\$ 1,510,500

## **Grants**

The Authority receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. Based on prior experience, Authority management expects any such amounts to be immaterial.

## **Litigation**

The Authority is involved in legal proceedings, which, in the opinion of management, will not have a material adverse effect upon the financial position of the Authority.

CAPITAL DISTRICT TRANSPORTATION AUTHORITY

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**Required Supplementary Information (Unaudited)  
Schedule of Funding Progress for Other Postemployment Benefits**

March 31, 2012

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b)</b>	<b>Excess (Deficiency) of Assets over UAAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b- a)/c)</b>
4/1/2009	\$ -	\$ 85,735,192	\$ (85,735,192)	0%	\$ 32,167,392	267%
4/1/2010	\$ -	\$ 80,721,207	\$ (80,721,207)	0%	\$ 33,160,008	243%
4/1/2011	\$ -	\$ 66,267,389	\$ (66,267,389)	0%	\$ 36,569,925	181%



**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***

The Board of Directors  
Capital District Transportation Authority

We have audited the financial statements of the Capital District Transportation Authority (the Authority) (a component unit of the State of New York) as of and for the year ended March 31, 2012, and have issued our report thereon dated May 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

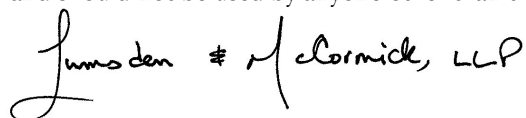
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, the New York State Department of Transportation, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.



May 25, 2012