



FINANCIAL STATEMENTS



ROCHESTER
GENESEE REGIONAL
TRANSPORTATION
AUTHORITY

A Component Unit of the State of New York

FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

**ROCHESTER-GENESEE REGIONAL
TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)**

**Financial Statements as of
March 31, 2018 and 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) | 3- 10 |
| BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017: | |
| Statements of Net Position | 11 |
| Statements of Revenue, Expenses and Changes in Net Position | 12 |
| Statements of Cash Flows | 13 - 14 |
| Notes to the Financial Statements | 15 - 58 |
| INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 59 - 60 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Schedule of Funding Progress for Other Postemployment Benefits | 61 |
| Schedule of Proportionate Share of Net Pension Liability | 62 |
| Schedule of Contributions – Pension Plans | 63 |
| COMBINING FINANCIAL INFORMATION FOR THE YEAR ENDED MARCH 31, 2018: | |
| Combining Schedule of Net Position | 64 |
| Combining Schedule of Revenue, Expenses and Changes in Net Position | 65 |

INDEPENDENT AUDITOR'S REPORT

June 21, 2018

To the Commissioners of
Rochester-Genesee Regional Transportation Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Rochester-Genesee Regional Transportation Authority (the "Authority," a New York State public benefit corporation, which is a component unit of the State of New York) as of and for the years ended March 31, 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 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of March 31, 2018 and 2017, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, proportionate share of net pension liability, and contribution – pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining blended component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining blended component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining blended component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

AS OF AND FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

This Management's Discussion and Analysis (MD&A) of the Rochester-Genesee Regional Transportation Authority (the Authority) financial statements provides an overview of the Authority's financial activity for the years ended March 31, 2018 and 2017. Please read this MD&A in conjunction with the Authority's basic financial statements and footnotes, which follow this section.

The Authority's basic financial statements consist of a statement of net position; a statement of revenue, expenses, and changes in net position; a statement of cash flows; and notes to the financial statements. The statements of net position provide a snapshot of the Authority's financial condition at March 31, 2018 and 2017. The statements of revenues, expenses, and changes in net position report the results of the Authority's operations and activities for years ended March 31, 2018 and 2017. Finally, the statements of cash flows report the Authority's sources and uses of cash from operations, non-capital financing, capital and related financing, and investing activities for the years ended March 31, 2018 and 2017.

FINANCIAL HIGHLIGHTS

- As more fully described below, the Authority experienced a decrease in net position of approximately \$7.2 million in fiscal 2018, compared with a decrease of \$8.4 million in fiscal 2017. The decrease in net position for both fiscal years was impacted by fluctuations in several areas, including our actuarially determined liabilities for other postemployment benefits (OPEB), pension costs and workers' compensation claims, along with movements in our reserve for litigated and unlitigated claims.
- The Authority's single most significant asset classification is capital assets. The Authority reported capital assets, net of depreciation, totaling approximately \$147.0 million, \$149.2 million and \$148.3 million for fiscal 2018, fiscal 2017 and fiscal 2016, respectively. The fluctuations in capital assets during these periods is the result of ongoing depreciation offset by additions attributable to infrastructure improvement projects at several of our operations.
- The Authority's single most significant liability classification is OPEB. The Authority's net OPEB obligation was \$56.3 million, \$50.9 million and \$45.5 million for fiscal years 2018, 2017 and 2016, respectively. The Authority, in compliance with GASB No. 45, is using the allowed 30 year amortization period for accruing the unfunded actuarial accrued liability.
- The Authority's unrestricted net position has decreased from fiscal 2017 and fiscal 2016 by approximately \$5.1 million and \$9.2 million, respectively. The Authority's unrestricted net position was \$(19.8) million, \$(14.7) million and \$(5.5) million for fiscal years 2018, 2017 and 2016, respectively. These decreases are mainly the result of the factors noted above and discussed in more detail later in this MD&A.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Condensed Schedule of Net Position (in millions)

The condensed schedule of net position below provides a snapshot of the financial condition of the Authority as of March 31:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------------|------------------------|------------------------|
| Assets: | | | |
| Current and other | \$ 70.3 | \$ 64.2 | \$ 68.7 |
| Capital, net of accumulated depreciation | <u>147.0</u> | <u>149.2</u> | <u>148.3</u> |
| Total assets | <u>217.3</u> | <u>213.4</u> | <u>217.0</u> |
| Deferred outflows | <u>7.6</u> | <u>9.7</u> | <u>11.0</u> |
| Liabilities: | | | |
| Current | 23.9 | 19.8 | 25.5 |
| Long-term | <u>63.9</u> | <u>60.6</u> | <u>59.1</u> |
| Total liabilities | 87.8 | 80.4 | 84.6 |
| Deferred inflows | <u>9.9</u> | <u>8.3</u> | <u>0.6</u> |
| Net Position: | | | |
| Net investment in capital assets | 147.0 | 149.2 | 148.3 |
| Unrestricted | <u>(19.8)</u> | <u>(14.7)</u> | <u>(5.5)</u> |
| Total net position | <u>\$ 127.2</u> | <u>\$ 134.4</u> | <u>\$ 142.8</u> |

Total assets at March 31, 2018 measured \$217.3 million, an increase of \$3.9 million from \$213.4 million in total assets at March 31, 2017, a decrease of \$3.6 million from 2016. These fluctuations in total assets are mainly as a result of movements in accounts receivable due to timing.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)

Condensed Schedule of Net Position (Continued)

Broken down by category:

- Current and other assets totaled \$70.3 million in fiscal 2018, increasing by \$6.1 million from \$64.2 million in fiscal 2017, and decreasing by \$4.5 million from \$68.7 million in fiscal 2016. Both fluctuations were driven mainly by movements in receivables as a result of timing.
- Capital assets, net of accumulated depreciation, finished fiscal 2018 at \$147.0 million, a decrease of \$2.2 million from \$149.2 million for fiscal 2017, which showed an increase of \$0.9 million compared with \$148.3 million for fiscal 2016.

Total liabilities, both current and long-term, were \$87.8 million, \$80.4 million and \$84.6 million as of March 31, 2018, 2017 and 2016, respectively. When broken down between current and long-term:

- Current liabilities totaled \$23.9 million for fiscal 2018, up \$4.1 million from fiscal 2017 as a result of increases to accounts payable as a result of timing, the actuarially determined reserve for workers' compensation claims, and the reserve for litigated and unlitigated claims as a result of the mix of legal cases outstanding at the end of fiscal 2018. For fiscal 2017, current liabilities totaled \$19.8 million, down \$5.7 million from fiscal 2016 as a result of a decrease in the Authority's reserve for litigated and unlitigated claims related to the purchase of land associated with the Transit Center and a decrease in accounts payable as a result of timing, partially offset by an increase to the actuarially determined reserve for workers' compensation claims.
- Long-term liabilities increased by \$3.3 million and \$1.5 million for fiscal 2018 and 2017, respectively, compared with the same prior year periods. The increases from fiscal 2017 and fiscal 2016 were mainly driven by increases in other postemployment benefits, which were partially offset by decreases in the Authority's net pension liability.

The overall net position of the Authority decreased by \$7.2 million and \$8.4 million for fiscal years 2018 and 2017, respectively, when compared with the same prior year periods. These decreases were mainly driven by the factors noted above.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)
Condensed schedule of revenue, expenses, and change in net position (in millions)

The condensed schedule of revenue, expenses and change in net position below provides a snapshot of the financial activities of the Authority as of March 31:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-----------------|-----------------|-----------------|
| Operating revenue: | | | |
| Customer fares | \$ 10.5 | \$ 10.9 | \$ 11.6 |
| Special fares | 15.5 | 16.0 | 16.4 |
| Other | 1.5 | 1.6 | 1.4 |
| Total operating revenue | <u>27.5</u> | <u>28.5</u> | <u>29.4</u> |
| Operating expenses: | | | |
| Salaries and benefits | 76.2 | 79.0 | 74.9 |
| Non-personnel | 22.5 | 19.8 | 26.0 |
| Total operating expenses | <u>98.7</u> | <u>98.8</u> | <u>100.8</u> |
| Depreciation | <u>17.6</u> | <u>17.7</u> | <u>17.4</u> |
| Loss from operations | <u>(88.8)</u> | <u>(88.0)</u> | <u>(88.8)</u> |
| Nonoperating income (expenses): | | | |
| External operating assistance | 57.7 | 53.1 | 52.0 |
| Investment income | 0.2 | 0.1 | 0.3 |
| Mortgage recording tax | 9.5 | 9.8 | 9.0 |
| Other | 0.3 | 0.1 | 0.1 |
| Total nonoperating income | <u>67.7</u> | <u>63.1</u> | <u>61.4</u> |
| Capital contributions | <u>13.9</u> | <u>16.5</u> | <u>13.0</u> |
| Change in net position | <u>(7.2)</u> | <u>(8.4)</u> | <u>(14.4)</u> |
| Special Item - Transfer of Ontario County operations | - | - | - |
| Net position, beginning of year | 134.4 | 142.8 | 157.2 |
| Restatement of beginning net position - GASB 68 adoption | - | - | (0.2) |
| Net position, end of year | <u>\$ 127.2</u> | <u>\$ 134.4</u> | <u>\$ 142.8</u> |

The Authority's operating revenue totaled \$27.5 million and \$28.5 million for fiscal 2018 and 2017, respectively, decreasing by \$1.0 million and \$0.9 million from the same prior year periods. The Authority has two sources of operating revenue:

- Customer fare revenue decreased by \$0.4 million in fiscal 2018, compared with a decrease by \$0.7 million in fiscal 2017. The decreases in fiscal 2018 and fiscal 2017 were mainly impacted by declines in ridership on a systemwide basis of 5.4% and 4.8%, respectively, consistent with recent ridership trends across the public transportation industry. Customer fare revenue consists of cash fares paid on the bus and fare media sales to individual customers and various local agencies that distribute bus passes to their clients.
- Special fare revenue decreased by \$0.5 million and \$0.4 million in fiscal 2018 and fiscal 2017, respectively. Special fare revenue in both fiscal 2018 and fiscal 2017 was impacted by the mix of service offered to meet the needs of the Authority's two most significant customers.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)

Condensed schedule of revenue, expenses, and change in net position (Continued)

- Other revenue in fiscal 2018 of \$1.5 million was down slightly when compared with \$1.6 million for fiscal 2017. Other revenue consists of reimbursements and recoveries in the areas of warranty and liability claims, among others, and fluctuates based on the variable nature of these items from year-to-year.

The Authority also has non-operating income (expense), the major components of which are operating assistance subsidies, investment earnings, mortgage recording tax and other items such as gains and losses from various financial transactions.

The Authority receives external operating assistance subsidies from the Federal Government, the State of New York and each of our county service areas.

Federal operating assistance is broken into three major categories for the Authority, which are commonly known as Section 5307, Section 5311, and grants for the Genesee Transportation Council. The Section 5307 aid is awarded to public transportation providers across the country based upon congressional appropriations and is allocated using a complex formula combining elements of population, revenue miles, customers, and other factors. Historically, the Authority allocates approximately one-third of the annual Section 5307 funding to offset preventive maintenance costs within the operating budget. The federal operating assistance received during fiscal 2018 increased by \$3.4 million from fiscal 2017, which experienced a decrease of \$0.7 million, both based on a preventive maintenance allocation.

The largest single source of external operating assistance is provided by the State of New York in the form of Statewide Mass Transit Operating Assistance (STOA). STOA, which comprises the majority of the Authority's State aid, is provided to the Authority based on a variety of funding formulas and through New York State taxes, primarily the Petroleum Business Tax. The Authority's fiscal 2018 saw a \$1.1 million increase in STOA from the \$39.6 million received during fiscal 2017; fiscal 2017 saw a \$2.0 million increase in STOA from the \$37.6 million received during fiscal 2016.

Each county in the Authority's service area provides external operating assistance based on New York State Transportation Law Section 18B, which requires that each member county of the Authority annually provide a fixed annual operating subsidy for public transportation services provided within their respective jurisdictions. The combined total of these annual subsidies was \$3.9 million for each of fiscal 2018, 2017 and 2016.

With regard to the other components of non-operating income (expense) when compared with the same prior year periods:

- For fiscal 2018, the Authority experienced a decrease of \$0.3 million in mortgage recording tax revenue as a result of decreases in this revenue source across nearly all counties in which the Authority operates.
- For fiscal 2017, the Authority experienced an increase of \$0.8 million in mortgage recording tax revenue as a result of increases in this revenue source across nearly all counties in which the Authority operates.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)
Condensed schedule of revenue, expenses, and change in net position (Continued)

The last component of Authority revenue is provided for capital purchases and labeled capital contribution. The capital contribution is received from the Federal Government, New York State and the Authority. The standard share allocation is 80% Federal, 10% New York State, and 10% from the Authority. The capital contribution for fiscal 2018 decreased by \$2.7 million, compared with a \$3.6 million increase in fiscal 2017, mainly as a result progress toward completion for ongoing infrastructure improvements across our RTS, Access and Regional operations.

The following chart shows the use of the capital contributions for the fiscal years ended March 31:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Capital contribution for: | | | |
| Land | \$ - | \$ - | \$ 2.1 |
| Building and structures | 4.4 | 5.0 | 6.5 |
| Vehicles | 5.7 | 10.0 | 3.0 |
| Maintenance equipment | - | - | 0.1 |
| Other equipment | 0.4 | 0.3 | 0.2 |
| Computer equipment | 3.4 | 1.2 | 1.1 |
| Total capital contribution | \$ <u>13.9</u> | \$ <u>16.5</u> | \$ <u>13.0</u> |

Operating expenses

The Authority's operating expenses (excluding depreciation) for fiscal 2018 were \$98.7 million, essentially flat when compared with \$98.8 million for fiscal 2017. As described in more detail below, operating expenses were impacted by fluctuations in a number of areas during fiscal 2018, including, among others, claims for litigated and unlitigated matters, actuarially determined pension expense, and expenses for non-personnel services.

The following chart breaks down the Authority's salaries and benefits expense for the fiscal year ended March 31:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Salaries and benefits: | | | |
| Wages | \$ 47.6 | \$ 47.4 | \$ 46.9 |
| Benefits: | | | |
| FICA and Medicare | 3.5 | 3.6 | 3.6 |
| Health, dental and vision | 17.3 | 17.0 | 16.6 |
| Pension | 3.3 | 6.5 | 4.1 |
| Workers' compensation | 3.7 | 3.8 | 2.9 |
| Other | 0.8 | 0.7 | 0.8 |
| Total benefits | <u>28.6</u> | <u>31.6</u> | <u>28.0</u> |
| Total salaries and benefits | \$ <u>76.2</u> | \$ <u>79.0</u> | \$ <u>74.9</u> |

The Authority's wages for fiscal 2018 increased by \$0.2 million to \$47.6 million, compared with a \$0.5 million increase to \$47.4 million for fiscal 2017, both mainly as a result of a cost of living adjustment for employees.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)
Condensed schedule of revenue, expenses, and change in net position (Continued)

The Authority's employee benefits costs decreased in fiscal 2018 by \$3.0 million from \$31.6 million in fiscal 2017, mainly as a result of a decrease in the actuarially determined net pension expense. Employee benefits costs increased in fiscal 2017 by \$3.6 million from \$28.0 million in fiscal 2016, mainly as a result of increased pension expense, healthcare costs for active employees and retirees and increases in workers' compensation claims.

The following chart breaks down the Authority's non-personnel expenses for the fiscal years ended March 31:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|----------------------------------|----------------|----------------|----------------|
| Non-personnel: | | | |
| Materials and supplies | \$ 9.9 | \$ 10.1 | \$ 10.8 |
| Services | 7.9 | 6.7 | 7.1 |
| Utilities | 0.9 | 0.9 | 0.8 |
| Litigated and unlitigated claims | 2.1 | 0.7 | 5.4 |
| Miscellaneous | 1.7 | 1.4 | 1.9 |
| Total non-personnel | \$ 22.5 | \$ 19.8 | \$ 26.0 |

The Authority's non-personnel expenses include a variety of categories, such as materials and supplies which includes fuel and lubricants, bus parts and shop supplies; contracted services; utilities; casualty and liability insurance cost; and miscellaneous items. The Authority's non-personnel expense for fiscal 2018 increased by \$2.7 million from fiscal 2017, impacted by several factors, including:

- An increase of \$1.4 million in litigated and unlitigated claims, mainly as a result of the current year mix of claims, and
- An increase of \$1.2 million in services, mainly as a result of expenses incurred in connection with the proposed RTS system redesign and year-over-year timing differences at GTCS.

The Authority's non-personnel expense for fiscal 2017 decreased by \$6.2 million from fiscal 2016, impacted by several factors, including:

- A decrease of \$0.7 million in materials and supplies, mainly as a result of more favorable fuel prices,
- A decrease of \$0.4 million in services, mainly as a result of decreased contracted services expense, and
- A decrease of \$4.7 million in litigated and unlitigated claims, mainly as a result of the settlement of litigation related to the purchase of land associated with the Transit Center.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)

CAPITAL ASSETS

The Authority's capital assets, net of depreciation, are presented in the chart below for the fiscal years ended March 31:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|----------------------------------|-----------------|-----------------|-----------------|
| Capital assets, net: | | | |
| Land and improvements | \$ 9.9 | \$ 9.8 | \$ 8.9 |
| Construction in process | 6.5 | 7.4 | 8.4 |
| Building and structures | 63.8 | 59.6 | 59.4 |
| Revenue vehicles | 52.9 | 56.7 | 53.0 |
| Non-revenue vehicles | 0.3 | 0.2 | 0.3 |
| Maintenance | 3.6 | 3.6 | 3.7 |
| Other | 5.0 | 7.4 | 10.1 |
| Leasehold improvements | 1.1 | 1.2 | 1.2 |
| Computer equipment | 3.9 | 3.3 | 3.3 |
| Total capital assets, net | \$ 147.0 | \$ 149.2 | \$ 148.3 |

FACTORS IMPACTING THE AUTHORITY'S FUTURE

The Authority as a component of the comprehensive plan develops a multi-year budget projection to alert the Authority's Board of Commissioners, customers, and the community at large of the future challenges and opportunities that may impact the Authority's ability to meet its mission and vision.

The current version of the multi-year budget projection contemplates the continued inherent structural imbalance that public transportation faces with the fiscal challenges of both our federal and state governments along with expense growth required to maintain service levels equal to today. However, even with these challenges surrounding public transportation funding and the public's need for transportation, the Authority's current fiscal strength in the form of its available reserve funds allows the Authority to close these gaps through the fiscal year ending March 31, 2021. The Authority's Comprehensive Plan provides greater details on the future budgetary projections as well as the overall strategic plan and can be reviewed by contacting the Authority's Financial Management as noted below.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This MD&A and condensed financial information is designed to provide our customers, taxpayers, citizens of our service area, investors and creditors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the funds it receives. If you have any questions about this report, please contact Scott M. Adair, Chief Financial Officer, Rochester-Genesee Regional Transportation Authority, 1372 East Main Street, Rochester, New York 14609 or sadair@myrts.com.

Basic Financial Statements

For the years ended March 31, 2018 and 2017

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ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

STATEMENTS OF NET POSITION
MARCH 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS: | | |
| Cash and equivalents | \$ 16,352,012 | \$ 28,796,445 |
| Current portion of investments | 13,424,562 | 12,086,455 |
| Receivables: | | |
| Trade, net | 9,901,670 | 4,377,130 |
| Mortgage tax | 649,964 | 826,315 |
| Capital grants | 6,614,623 | 1,118,722 |
| Operating assistance | 7,761,351 | 1,583,656 |
| Interest | 79,684 | 40,226 |
| Materials and supplies inventory, net | 445,454 | 546,352 |
| Prepaid expenses and other current assets | <u>641,746</u> | <u>633,460</u> |
| Total current assets | <u>55,871,066</u> | <u>50,008,761</u> |
| NONCURRENT ASSETS: | | |
| Capital assets, net | 147,013,053 | 149,151,755 |
| Investments, net of current portion | 13,533,281 | 13,712,415 |
| Net pension asset | 930,291 | 525,906 |
| Investments in consolidated component unit entities | <u>-</u> | <u>-</u> |
| Total noncurrent assets | <u>161,476,625</u> | <u>163,390,076</u> |
| TOTAL ASSETS | <u>217,347,691</u> | <u>213,398,837</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred outflows related to pensions | <u>7,597,322</u> | <u>9,720,169</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 224,945,013</u> | <u>\$ 223,119,006</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 8,174,229 | \$ 5,732,545 |
| Accrued wages, vacation, pension and payroll taxes | 5,732,968 | 5,685,026 |
| Current portion of soil remediation liability | 314,050 | 184,231 |
| Reserve for litigated and unlitigated claims | 3,530,976 | 2,970,292 |
| Workers' compensation reserve | <u>6,150,000</u> | <u>5,210,000</u> |
| Total current liabilities | <u>23,902,223</u> | <u>19,782,094</u> |
| LONG-TERM LIABILITIES: | | |
| Net pension liability | 6,954,639 | 8,586,839 |
| Other postemployment benefits | 56,314,568 | 50,918,728 |
| Soil remediation liability, net of current portion | <u>614,750</u> | <u>1,065,080</u> |
| Total long-term liabilities | <u>63,883,957</u> | <u>60,570,647</u> |
| TOTAL LIABILITIES | <u>87,786,180</u> | <u>80,352,741</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred revenue | 1,366,274 | 373,579 |
| Deferred inflows related to pensions | <u>8,578,047</u> | <u>7,954,097</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>9,944,321</u> | <u>8,327,676</u> |
| NET POSITION: | | |
| Net investment in capital assets | 147,013,053 | 149,151,755 |
| Unrestricted | <u>(19,798,541)</u> | <u>(14,713,166)</u> |
| Total net position | <u>127,214,512</u> | <u>134,438,589</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 224,945,013</u> | <u>\$ 223,119,006</u> |

The accompanying notes are an integral part of these statements.

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------|-----------------------|
| OPERATING REVENUE: | | |
| Customer fares | \$ 10,519,695 | \$ 10,914,837 |
| Special transit fares | 15,484,593 | 15,983,237 |
| Reimbursement and recovery | 796,423 | 950,537 |
| Other | <u>702,405</u> | <u>639,451</u> |
| Total operating revenue | <u>27,503,116</u> | <u>28,488,062</u> |
| OPERATING EXPENSES AND DEPRECIATION: | | |
| Operating expenses - | | |
| Salaries and wages | 47,614,289 | 47,448,495 |
| Employee benefits | 28,635,052 | 31,502,468 |
| Materials and supplies | 9,911,244 | 10,106,524 |
| Services | 7,868,374 | 6,702,256 |
| Utilities | 879,967 | 882,272 |
| Litigated and unlitigated claims | 2,139,862 | 680,058 |
| Other | <u>1,700,062</u> | <u>1,446,725</u> |
| Total operating expenses | <u>98,748,850</u> | <u>98,768,798</u> |
| Depreciation - | | |
| Locally funded | 1,868,834 | 1,786,589 |
| Grant funded | <u>15,728,329</u> | <u>15,949,689</u> |
| Total depreciation | <u>17,597,163</u> | <u>17,736,278</u> |
| Total operating expenses and depreciation | <u>116,346,013</u> | <u>116,505,076</u> |
| LOSS FROM OPERATIONS | <u>(88,842,897)</u> | <u>(88,017,014)</u> |
| NONOPERATING INCOME (EXPENSE): | | |
| External operating assistance subsidies - | | |
| Federal | 12,207,453 | 8,828,817 |
| State | 41,503,526 | 40,389,282 |
| Local governments | 3,909,498 | 3,909,500 |
| Investment income, net | 205,742 | 118,992 |
| Mortgage recording tax | 9,542,637 | 9,757,856 |
| Change in soil remediation liability | 302,476 | 140,278 |
| Gain (loss) on disposal of capital assets, net | <u>39,951</u> | <u>(60,201)</u> |
| Total nonoperating income | <u>67,711,283</u> | <u>63,084,524</u> |
| CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS | <u>(21,131,614)</u> | <u>(24,932,490)</u> |
| CAPITAL CONTRIBUTIONS: | | |
| Federal | 9,463,838 | 11,757,969 |
| State | <u>4,443,699</u> | <u>4,812,699</u> |
| Total capital contributions | <u>13,907,537</u> | <u>16,570,668</u> |
| CHANGE IN NET POSITION | <u>(7,224,077)</u> | <u>(8,361,822)</u> |
| NET POSITION - beginning of year | <u>134,438,589</u> | <u>142,800,411</u> |
| NET POSITION - end of year | <u>\$ 127,214,512</u> | <u>\$ 134,438,589</u> |

The accompanying notes are an integral part of these statements.

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 21,472,443 | \$ 30,447,408 |
| Other operating receipts | 1,498,828 | 1,589,988 |
| Payments to vendors and suppliers for goods and services | (12,929,244) | (10,589,163) |
| Payments to employees for services | (75,491,187) | (75,927,124) |
| Payments for insurance and risk management | (639,178) | (3,030,122) |
| Other operating payments | <u>(1,700,062)</u> | <u>(1,446,725)</u> |
| Net cash flow used in operating activities | <u>(67,788,400)</u> | <u>(58,955,738)</u> |
| CASH FLOW FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Mortgage tax receipts | 9,718,988 | 9,547,161 |
| Operating assistance receipts | <u>51,442,782</u> | <u>65,676,839</u> |
| Net cash flow provided by noncapital and related financing activities | <u>61,161,770</u> | <u>75,224,000</u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital contributions | 8,411,636 | 18,259,779 |
| Purchases of capital assets | (13,258,668) | (22,805,650) |
| Payments for soil remediation | (18,035) | (47,647) |
| Proceeds from sales of capital assets | <u>39,951</u> | <u>(60,201)</u> |
| Net cash flow used in capital and related financing activities | <u>(4,825,116)</u> | <u>(4,653,719)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Interest earnings | 33,183 | 13,909 |
| Liquidation of short-term investments | (1,181,764) | (389,281) |
| Proceeds from maturities of long-term investments | <u>155,894</u> | <u>1,319,786</u> |
| Net cash flow provided by (used in) investing activities | <u>(992,687)</u> | <u>944,414</u> |
| CHANGE IN CASH AND EQUIVALENTS | (12,444,433) | 12,558,957 |
| CASH AND EQUIVALENTS - beginning of year | <u>28,796,445</u> | <u>16,237,488</u> |
| CASH AND EQUIVALENTS - end of year | <u>\$ 16,352,012</u> | <u>\$ 28,796,445</u> |

(Continued)

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017
(Continued)

| | <u>2018</u> | <u>2017</u> |
|---|------------------------|------------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Loss from operations | \$ (88,842,897) | \$ (88,017,014) |
| Adjustments to reconcile change in net assets to net cash flow from operating activities: | | |
| Depreciation - locally funded | 1,868,834 | 1,786,589 |
| Depreciation - grant funded | 15,728,329 | 15,949,689 |
| Changes in: | | |
| Trade receivable | (5,524,540) | 3,509,637 |
| Materials and supplies inventory | 100,898 | (8,627) |
| Prepaid expenses and other current assets | (8,286) | (80,855) |
| Accounts payable | 241,889 | 1,795,531 |
| Accrued wages, vacation, pension and payroll taxes | 47,942 | (1,072,432) |
| Reserve for litigated and unlitigated claims | 560,684 | (4,159,993) |
| Workers' compensation reserve | 940,000 | 1,809,929 |
| Net pension liability | 710,212 | 4,096,271 |
| Other postemployment benefits | 5,395,840 | 5,395,840 |
| Deferred revenue | <u>992,695</u> | <u>39,697</u> |
| Net cash flow used in operating activities | <u>\$ (67,788,400)</u> | <u>\$ (58,955,738)</u> |
| NON-CASH INVESTING ACTIVITIES: | | |
| Change in fair value of investments | \$ (181,092) | \$ (526,467) |

The accompanying notes are an integral part of these statements.

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

1. BASIS OF PRESENTATION

The Organization

The Rochester-Genesee Regional Transportation Authority (the Authority or RGRTA) was created in 1969 by an act of the New York State Legislature to provide for the continuance, further development and improvement of public transportation and other related services within the Genesee-Finger Lakes Region. The Authority is subject to regulation by the Comptroller and Department of Transportation of the State of New York with respect to the maintenance of its accounting records. The Authority is considered a component unit of New York State because of the significance of its operational and financial relationship with New York State. The Authority's 15-member Board of Commissioners is recommended by the respective local governing body, appointed by the governor of New York State, and confirmed by the New York State Senate. Financial support from New York State includes annual appropriations to help meet operating expenditures.

Financial Statements

The financial statements of the Authority include the accounts of RGRTA, and its ten (10) blended component units for which the Authority is financially accountable and operationally responsible. The Authority's 15-member Board of Commissioners is comprised of individuals from each member county and a representative from the Amalgamated Transit Union, Local 282, AFL-CIO (the ATU). The Board of Commissioners oversees public transportation for its member counties: Monroe, Genesee, Livingston, Ontario, Orleans, Seneca, Wayne and Wyoming Counties. The Authority's Board also serves as the board for Genesee Transportation Council Staff, Inc. (GTCS), an entity which serves as the administrative host agency for the Genesee Transportation Council, which is the metropolitan transportation planning organization for the Genesee-Finger Lakes Region; GTCS is reported herein as a blended component unit. The ten component units are legally separate organizations and are collectively referred to as "the Organizations."

Based on the foregoing criteria, RGRTA and the following component units have been audited and are included in the financial statements:

- Regional Transit Service, Inc., d/b/a RTS (RTS)
- Lift Line, Inc., d/b/a RTS Access (Access)
- Batavia Bus Service, Inc., d/b/a RTS Genesee (Genesee)
- Livingston Area Transportation Service, Inc., d/b/a RTS Livingston (Livingston)
- Ontario County Area Transit System, Inc., d/b/a RTS Ontario (Ontario)
- Orleans Transit Service, Inc., d/b/a RTS Orleans (Orleans)
- Seneca Transit Service, Inc., d/b/a RTS Seneca (Seneca)
- Wayne Area Transportation Service, Inc., d/b/a RTS Wayne (Wayne)
- Wyoming Transit Service, Inc., d/b/a RTS Wyoming (Wyoming)
- Genesee Transportation Council Staff, Inc.

Significant inter-entity accounts and transactions have been eliminated in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority's and the Organizations' financial statements have been prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB).

Recently Adopted Accounting Pronouncements

On April 1, 2016, the Authority adopted GASB statement No. 72, *Fair Value Measurement and Application* (GASB No. 72). The objective of GASB No. 72 is to address accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Adoption of GASB No. 72 did not have an impact on the Authority's financial statements.

On April 1, 2016, the Authority adopted GASB statement No. 77, *Tax Abatement Disclosures* (GASB No. 77). The objective of GASB No. 77 is to assist users of financial statements prepared by state and local governments, among others, citizens and taxpayers, legislative and oversight bodies, and municipal bond analysts, in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. GASB No. 77 defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. GASB No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Adoption of GASB No. 77 did not have an impact on the Authority's financial statements.

On April 1, 2016, the Authority adopted GASB statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB No. 78). The objective of GASB No. 78 is to address a practice issue regarding the scope and applicability of GASB No. 68, *Accounting and Financial Reporting for Pension - an amendment of GASB Statement No. 27* (GASB No. 68). This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Prior to the issuance of GASB No. 78, the requirements of GASB No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of GASB No. 68. GASB No. 78 amends the scope and applicability of GASB No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

GASB No. 78 establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Adoption of GASB No. 78 did not have an impact on the Authority's financial statements.

On April 1, 2016, the Authority adopted GASB statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB No. 79). GASB No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in GASB No. 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by GASB No. 79 during the reporting period, individually or in the aggregate, were significant. Adoption of GASB No. 79 did not have an impact on the Authority's financial statements.

On April 1, 2017, the Authority adopted GASB statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement No. 68 and amendments to certain provisions of Statements 67 and 68* (GASB No. 73). The objective of GASB No. 73 is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Adoption of GASB No. 73 did not have an impact on the Authority's financial statements.

On April 1, 2017, the Authority adopted GASB statement No. 74, *Financial Reporting for Postemployment Benefits other than Pension Plans* (GASB No. 74). The objective of GASB No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Adoption of GASB No. 74 did not have an impact on the Authority's financial statements.

On April 1, 2017, the Authority adopted GASB statement No. 80, *Blending Requirements for Certain Component Units* (GASB No. 80). The objective of GASB No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. GASB No. 80 amends the blending requirements established in paragraph 53 of GASB statement No. 14, *The Financial Reporting Entity, as amended*. GASB No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Adoption of GASB No. 80 did not have an impact on the Authority's financial statements.

On April 1, 2017, the Authority adopted GASB statement No. 81, *Irrevocable Split-Interest Agreements* (GASB No. 81). The objective of GASB No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. GASB No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, GASB No. 81 requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB No. 81 also requires that a government recognize revenue when the resources become applicable to the reporting period. Adoption of GASB No. 81 did not have an impact on the Authority's financial statements.

On March 31, 2018, the Authority adopted GASB statement No. 82, *Pension Issues* (GASB No. 82). The objective of GASB No. 82 is to address certain issues that have been raised with respect to GASB No. 67, GASB No. 68 and GASB No. 73. Specifically, GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Adoption of GASB No. 82 did not have an impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

In June 2015, GASB issued GASB statement No. 75, *Accounting and Reporting for Postemployment Benefits other than Pension* (GASB No. 75). The objective of GASB No. 75 is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and local governmental employers about financial report for OPEB that is provided by other entities. The provisions in GASB No. 75 are effective for financial statements for periods beginning after June 15, 2017. The Authority is currently evaluating the impact of this statement.

In November 2016, GASB issued GASB statement No. 83, *Certain Asset Retirement Obligations* (GASB No. 83). The objective of GASB No. 83 is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB No. 83 provides governmental entities accounting and financial reporting guidance for determining liabilities and corresponding deferred outflow of resources associated with asset retirement obligations. GASB No. 83 is effective for financial statements for reporting periods beginning after June 15, 2018. The Authority does not expect GASB No. 83 to have an impact on its financial statements upon adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In January 2017, GASB issued GASB statement No. 84, *Fiduciary Activities*. The objective of GASB No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB No. 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. GASB No. 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. GASB No. 84 is effective for financial statements for reporting periods beginning after December 15, 2018. The Authority does not expect GASB No. 84 to have an impact on its financial statements upon adoption.

In January 2017, GASB issued GASB statement No. 85, *Omnibus 2017* (GASB No. 85). The objective of GASB No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements. GASB No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). Specifically, GASB No. 85 addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation,
- Reporting amounts previously reported as goodwill and “negative” goodwill,
- Classifying real estate held by insurance entities,
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost,
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus,
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements,
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB,
- Classifying employer-paid member contributions for OPEB,
- Simplifying certain aspects of the alternative measurement method for OPEB, and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB No. 85 is effective for financial statements for reporting periods beginning after June 15, 2017. The Authority does not expect GASB No. 85 to have an impact on its financial statements upon adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In May 2017, GASB issued GASB statement No. 86, *Certain Debt Extinguishment Issues* (GASB No. 86). The primary objective of GASB No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. GASB No. 86 is effective for financial statements for reporting periods beginning after June 15, 2017. The Authority does not expect GASB No. 86 to have an impact on its financial statements upon adoption.

In June 2017, GASB issued GASB statement No. 87, *Leases* (GASB No. 87). The objective of GASB No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB No. 87 increases the usefulness of governments' financial statements by requiring 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 GASB No. 87, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions in GASB No. 87 are effective for financial statements for periods beginning after December 15, 2019. The Authority is currently evaluating the impact of this statement.

In April 2018, GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB No. 88). The primary objective of GASB No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions in GASB No. 88 are effective for financial statements for periods beginning after June 15, 2018. The Authority does not expect GASB No. 88 to have an impact on its financial statements upon adoption.

Classification of Net Position

GASB requires the classification of net position into three components - net investment in capital assets; restricted and unrestricted. The Authority does not have restricted net position as of March 31, 2018 or 2017. The classifications the Authority has are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Unrestricted - This component of net position consists of net position that do not meet the definition of "net investment in capital assets" or "restricted."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the current year presentation.

Cash and Equivalents

Cash and equivalents includes cash on hand, money market accounts, U.S. Treasury notes and certificates of deposit with an initial term of three months or less not reserved for a board designated purpose.

Trade Receivables

Trade receivables consist primarily of amounts due from customers for services provided and for advertising. Management records an allowance for doubtful accounts based on past collection experience and an analysis of outstanding amounts. When appropriate collection efforts are exhausted, the account is written off. Management has established an allowance for doubtful accounts for the years ended March 31, 2018 and 2017 in the amount of \$691,613.

Mortgage Recording Tax

The Authority receives a portion of mortgage recording tax equal to \$0.25 for every \$100 of borrowings in the form of new mortgages and the refinancing of existing mortgages from the counties in which the component units conduct operations, not including mortgages of tax-exempt organizations. The amounts earned during the year have been recorded as mortgage recording tax in the accompanying statements of revenue, expenses and changes in net position. Any amounts due but not yet collected have been recorded as mortgage tax receivable in the accompanying statements of net position. Management considers the mortgage tax receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

Operating Assistance and Capital Grants

The Authority and the Organizations receive operating and capital assistance subsidies and grants from the U.S. Department of Transportation under operating and capital assistance grant contracts. The Organizations also receive operating and capital assistance from the New York State Department of Transportation and local counties based on legislated awards. The amounts received or contractually receivable under such grants have been recorded as external operating assistance subsidies in the accompanying statements of revenue, expenses and changes in net position. These amounts are obtained on an annual basis. Management considers operating and capital assistance receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Continued operations depend upon receipt of such subsidies in future years.

Materials and Supplies Inventory

Materials and supplies inventory consists primarily of replacement parts for buses and is recorded at the lower of cost determined on a first in, first out basis or market. An allowance for obsolete inventory is maintained based on a review of inventory on hand. Management has recorded an allowance for obsolete inventory of \$496,079 for the years ended March 31, 2018 and 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are recorded at cost if purchased, or fair value, if donated. The Authority and the Organizations capitalize all expenses for capital assets in excess of \$5,000 and which have useful lives greater than one year.

Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

| | |
|--------------------------|--------------|
| Land improvements | 5 - 10 years |
| Buildings and structures | 2 - 40 years |
| Revenue vehicles | 4 - 12 years |
| Non-revenue vehicles | 2 - 5 years |
| Maintenance equipment | 4 - 10 years |
| Other equipment | 2 - 10 years |
| Computer equipment | 3 - 10 years |

Leasehold improvements are amortized over the shorter of the remaining lease term or the asset's estimated useful life.

Investments

Investments in government securities are recorded at their fair value based on quoted market prices and valuations provided by external parties. Unrealized gains or losses on such investments result from differences between the cost and fair value of investments on a specified valuation date. Gains and losses in the fair value are reported in the statements of revenue, expenses and changes in net position. Investment income is recognized on the accrual basis; dividends are recorded on the ex-dividend date.

The Authority has classified certain investments as current assets on the accompanying statement of net position as it is reasonably expected that they could be utilized in the next fiscal year.

Authority Subsidies

Annually, RGRTA subsidizes the operations of the Organizations, except for GTCS, based on each respective Organizations' operating results. In order to determine the annual subsidy, certain operating and non-operating revenues and external operating subsidies are reduced by certain operating and non-operating expenses and locally funded depreciation. If the result is a deficit, that amount will be recorded as operating subsidy at the respective Organization. Operating surpluses are reflected as negative subsidies, or re-allocations back to the Authority.

No cash is ever transferred to or from the Organizations related to these subsidies. Therefore, each year the value of the receivable/payable recorded at year-end is recorded as a write-off of inter-entity accounts on the accompanying statements of revenue, expenses and changes in net position.

Revenues

Amounts reported as operating revenue are from providing services in connection with the Authority's and the Organizations' ongoing transportation operations. The principal operating revenues of the Organizations include customer fares, special transit fares, advertising, and various other recoveries and reimbursements. All revenues not meeting this definition are reported as non-operating revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses

Amounts reported as operating expenses are from providing services in connection with the Authority's and Organizations' ongoing transportation operations. The principal operating expenses of the Authority and the Organizations include salaries, employee benefits, material and supplies, outside services, casualty and insurance claims, utilities and depreciation. All expenses not meeting this definition are reported as non-operating expenses.

Capital Contributions

The Federal Government and New York State provide funds for a significant portion of the cost of capital purchases made by the Organizations. When these capital assets are recorded, the governments' portion of the funding is reflected in the accompanying statements of revenue, expenses and changes in net position as federal and state capital contributions.

Income Taxes

The Authority and the Organizations are public benefit corporations and are exempt from federal and state income taxes, as well as state and local property and sales taxes.

3. CASH AND INVESTMENTS

Cash and Equivalents

The Authority's cash and equivalents are comprised of the following as of March 31:

| | <u>2018</u> | | <u>2017</u> | |
|----------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>Carrying Amount</u> | <u>Bank Balance</u> |
| Bank demand deposits | \$ (23,548) | \$ 1,560,873 | \$ 8,173 | \$ 913,961 |
| Money market funds | 8,276,210 | 8,276,210 | 28,788,272 | 28,788,272 |
| U.S. Treasury notes | <u>8,099,350</u> | <u>8,099,350</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 16,352,012</u> | <u>\$ 17,936,433</u> | <u>\$ 28,796,445</u> | <u>\$ 29,702,233</u> |

Collateral

As of March 31, 2018 and 2017, the reported amount of the Authority's collateral balance was \$16,402,535 and \$36,409,781, respectively, and the bank balance was \$16,055,213 and \$34,590,298, respectively, which included \$6,218,131 and \$4,878,065, respectively, of money market funds held for investment. As of March 31, 2018 and 2017, collateral of \$669,007 and \$707,597, respectively, was covered by federal depository insurance and \$15,733,528 and \$35,702,184, respectively, was covered by collateral held by pledging bank or a third-party custodian in the Authority's name. The Authority's investments in government securities are secured by a guarantee from the United States Treasury Department, and its investments in certificates of deposit are fully covered by federal depository insurance, as the amounts invested at any one financial institution do not exceed the federal depository insurance limits.

3. CASH AND INVESTMENTS (Continued)

Investments

The Authority's investments are made in compliance with New York Public Authorities Law Sections 2856, 2890, 2925, 122-gg(4) and 1299-II, and Office of the State Comptroller Investment Guidelines for Public Authorities and State Agencies at 2 NYCRR Part 201. In accordance with this law and its own Investment Policy, the following is a list of investments the Authority is permitted to invest in:

- Certificates of Deposit with commercial banks or trust companies doing business in New York State and which are also Members of the Federal Deposit Insurance Corporation.
- Time Deposit, Demand Deposit, and Deposits in "Money Market" accounts of commercial banks or trust companies authorized to do business in New York State and which are also members of the Federal Deposit Insurance Corporation.
- Obligations of New York State or the United States Government or obligations the principal and interest of which are guaranteed by the New York State or the United States Government and which have a liquid market with a readily determinable value equal at all times to the amount of the investment.
- Repurchase Agreements for no more than 90 days involving the purchase and sale of direct obligations of the United States of America. The purchase price shall be the present market value of the securities and not the face value. Securities purchased through a Repurchase Agreement shall be valued to market at least weekly.

As of March 31, 2018, the Authority's investments consisted of the following:

| | | <u>Investment Maturities (in Years)</u> | | |
|--|----------------------|---|---------------------|------------------------|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1-5</u> | <u>Greater than 10</u> |
| Money Market Funds | \$ 6,218,131 | \$ 6,218,131 | \$ - | \$ - |
| Certificates of Deposit | 3,480,188 | 498,420 | 2,981,768 | - |
| United States Treasury Notes | 14,251,772 | 10,529,554 | 3,722,218 | - |
| Government National Mortgage Association | <u>3,007,752</u> | <u>-</u> | <u>-</u> | <u>3,007,752</u> |
| | <u>\$ 26,957,843</u> | <u>\$ 17,246,105</u> | <u>\$ 6,703,986</u> | <u>\$ 3,007,752</u> |

As of March 31, 2017, the Authority's investments consisted of the following:

| | | <u>Investment Maturities (in Years)</u> | | |
|--|----------------------|---|---------------------|------------------------|
| | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1-5</u> | <u>Greater than 10</u> |
| Money Market Funds | \$ 4,878,065 | \$ 4,878,065 | \$ - | \$ - |
| New York State Municipal Securities | 2,206,098 | 2,206,098 | - | - |
| United States Treasury Notes | 14,881,901 | 9,500,000 | 5,381,901 | - |
| Government National Mortgage Association | <u>3,832,806</u> | <u>-</u> | <u>-</u> | <u>3,832,806</u> |
| | <u>\$ 25,798,870</u> | <u>\$ 16,584,163</u> | <u>\$ 5,381,901</u> | <u>\$ 3,832,806</u> |

Accrued interest on investments of \$79,684 and \$40,226 is included in interest receivable on the statement of net position as of March 31, 2018 and 2017, respectively.

3. CASH AND INVESTMENTS (Continued)

Changes in Fair Value

The net decrease in the fair value of investments during 2018 and 2017 was \$181,092 and \$1,337,263, respectively. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized net loss on investments held at March 31, 2018 and 2017 was \$226,652 and \$526,467, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned. The Authority's investment policy requires that deposits which exceed the amount insured by the FDIC be collateralized by obligations of the United States, or obligations of Federal Agency's, the principal and interest of which are guaranteed by the United States or obligations of New York State. As of March 31, 2018 and 2017, the Authority's investments in United States Treasury Notes and Government National Mortgage Association bonds were all rated AAA by a nationally recognized rating organization. As of March 31, 2017, the Authority's investments in New York State Municipal Securities were all rated AA by a nationally recognized rating organization.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Authority's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Investment Policy states that the Authority is to consider protection of principal, then cash flow requirements, and finally yield requirements. The Authority has the ability to liquidate its investments daily for United States Treasury Notes and New York State Municipal Securities and with up to twenty days notice for its mortgage backed asset securities. In addition, the Authority looks to invest in securities that have a history of making prepayments of interest prior to maturity to ensure a consistent stream of cash flows.

Concentration of Credit Risk

The Investment Policy places no limit on the amount the Authority may invest in any one issuer. As of March 31, 2018 and 2017, all of the Authority's cash equivalents were held with M&T Bank. As of March 31, 2018 and 2017, the Authority's investments were 16.8% and 0.0%, respectively, invested in certificates of deposit, 68.7% and 71.1%, respectively, invested in United States Treasury Notes, 14.5% and 18.3%, respectively, invested in mortgage backed asset securities and 0.0% and 10.6%, respectively, invested in New York State Municipal Securities.

Designations

The Authority's money market funds, government securities and certificates of deposit amounts are designated by the Board of Commissioners for working capital, self-insurance, capital expenditures, other postemployment benefits and para transit.

The Authority's money market funds, certificates of deposit and government securities were designated as of March 31, 2018:

| | Money Market Funds | Government Securities and Certificates of Deposit | Total |
|---|-----------------------|--|----------------------|
| Working capital | \$ 16,375,560 | \$ 10,114,872 | \$ 26,490,432 |
| Self-insurance reserve fund | 1,335,184 | 2,451,502 | 3,786,686 |
| Paratransit reserve fund | 1,019,079 | 2,080,000 | 3,099,079 |
| Other postemployment benefits reserve fund | <u>4,574,177</u> | <u>6,093,338</u> | <u>10,667,515</u> |
| Total | <u>\$ 23,304,000</u> | <u>\$ 20,739,712</u> | <u>\$ 44,043,712</u> |

3. CASH AND INVESTMENTS (Continued)

Designations (Continued)

The Authority's money market funds and government securities were designated as of March 31, 2017:

| | Money Market <u>Funds</u> | Government <u>Securities</u> | <u>Total</u> |
|---|------------------------------|---------------------------------|----------------------|
| Working capital | \$ 28,788,272 | \$ 10,213,988 | \$ 39,002,260 |
| Self-insurance reserve fund | 1,295,034 | 2,470,565 | 3,765,599 |
| Paratransit reserve fund | 1,001,125 | 2,096,162 | 3,097,287 |
| Other postemployment benefits reserve fund | <u>4,475,037</u> | <u>6,140,090</u> | <u>10,615,127</u> |
| Total | <u>\$ 35,559,468</u> | <u>\$ 20,920,805</u> | <u>\$ 56,480,273</u> |

4. CAPITAL ASSETS

Capital assets consisted of the following as of March 31, 2018 and 2017:

| | April 1, <u>2017</u> | <u>Additions</u> | Impairments and <u>Retirements</u> | <u>Transfers</u> | March 31, <u>2018</u> |
|---|-------------------------|-----------------------|---------------------------------------|---------------------|--------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 5,131,568 | \$ - | \$ - | \$ 75,000 | \$ 5,206,568 |
| Construction-in-process | <u>7,367,384</u> | <u>15,475,072</u> | <u>(16,611)</u> | <u>(16,276,984)</u> | <u>6,548,861</u> |
| Total capital assets not being depreciated | <u>12,498,952</u> | <u>15,475,072</u> | <u>(16,611)</u> | <u>(16,201,984)</u> | <u>11,755,429</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 8,186,395 | - | - | 344,695 | 8,531,090 |
| Buildings and structures | 85,871,097 | - | - | 6,755,899 | 92,626,996 |
| Revenue vehicles | 117,991,560 | - | (6,307,013) | 6,142,858 | 117,827,405 |
| Non-revenue vehicles | 1,816,993 | - | (149,730) | 121,964 | 1,789,227 |
| Maintenance equipment | 7,765,464 | - | (24,559) | 512,501 | 8,253,406 |
| Other equipment | 27,295,307 | - | (13,271) | 364,734 | 27,646,770 |
| Computer equipment | 12,729,393 | - | (6,707) | 1,959,333 | 14,682,019 |
| Leasehold improvements | <u>2,021,835</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,021,835</u> |
| Total capital assets being depreciated | <u>263,678,044</u> | <u>-</u> | <u>(6,501,280)</u> | <u>16,201,984</u> | <u>273,378,748</u> |
| Accumulated depreciation of capital assets: | | | | | |
| Land improvements | (3,508,671) | (285,420) | - | - | (3,794,091) |
| Buildings and structures | (26,250,389) | (2,603,929) | - | - | (28,854,318) |
| Revenue vehicles | (61,234,602) | (9,922,540) | 6,307,013 | - | (64,850,129) |
| Non-revenue vehicles | (1,645,757) | (83,256) | 149,730 | - | (1,579,283) |
| Maintenance equipment | (4,203,641) | (460,080) | 24,559 | - | (4,639,162) |
| Other equipment | (19,885,498) | (2,804,408) | 13,271 | - | (22,676,635) |
| Computer equipment | (9,429,664) | (1,382,607) | 6,707 | - | (10,805,564) |
| Leasehold improvements | <u>(867,019)</u> | <u>(54,923)</u> | <u>-</u> | <u>-</u> | <u>(921,942)</u> |
| Total accumulated depreciation | <u>(127,025,241)</u> | <u>(17,597,163)</u> | <u>6,501,280</u> | <u>-</u> | <u>(138,121,124)</u> |
| Total capital assets being depreciated, net | <u>136,652,803</u> | <u>(17,597,163)</u> | <u>-</u> | <u>16,201,984</u> | <u>135,257,624</u> |
| Total capital assets | <u>\$ 149,151,755</u> | <u>\$ (2,122,091)</u> | <u>\$ (16,611)</u> | <u>\$ -</u> | <u>\$ 147,013,053</u> |

4. CAPITAL ASSETS

Capital assets consisted of the following as of March 31, 2017 and 2016:

| | April 1, 2016 | Additions | Impairments and Retirements | Transfers | March 31, 2017 |
|---|-----------------------|---------------------|--------------------------------|---------------------|-----------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 5,131,568 | \$ - | \$ - | \$ - | \$ 5,131,568 |
| Construction-in-process | <u>8,403,748</u> | <u>18,702,315</u> | <u>(143,705)</u> | <u>(19,594,974)</u> | <u>7,367,384</u> |
| Total capital assets not being depreciated | <u>13,535,316</u> | <u>18,702,315</u> | <u>(143,705)</u> | <u>(19,594,974)</u> | <u>12,498,952</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 6,970,315 | - | - | 1,216,080 | 8,186,395 |
| Buildings and structures | 82,755,907 | - | (16,881) | 3,132,071 | 85,871,097 |
| Revenue vehicles | 112,965,487 | - | (8,568,027) | 13,594,100 | 117,991,560 |
| Non-revenue vehicles | 1,801,026 | - | (33,598) | 49,565 | 1,816,993 |
| Maintenance equipment | 7,501,941 | - | - | 263,523 | 7,765,464 |
| Other equipment | 27,132,128 | - | - | 163,179 | 27,295,307 |
| Computer equipment | 11,552,937 | - | - | 1,176,456 | 12,729,393 |
| Leasehold improvements | <u>2,021,835</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,021,835</u> |
| Total capital assets being depreciated | <u>252,701,576</u> | <u>-</u> | <u>(8,618,506)</u> | <u>19,594,974</u> | <u>263,678,044</u> |
| Accumulated depreciation of capital assets: | | | | | |
| Land improvements | (3,232,021) | (276,650) | - | - | (3,508,671) |
| Buildings and structures | (23,354,108) | (2,913,162) | 16,881 | - | (26,250,389) |
| Revenue vehicles | (59,928,983) | (9,873,646) | 8,568,027 | - | (61,234,602) |
| Non-revenue vehicles | (1,530,175) | (149,180) | 33,598 | - | (1,645,757) |
| Maintenance equipment | (3,735,554) | (468,087) | - | - | (4,203,641) |
| Other equipment | (17,050,494) | (2,835,004) | - | - | (19,885,498) |
| Computer equipment | (8,272,118) | (1,157,546) | - | - | (9,429,664) |
| Leasehold improvements | <u>(804,017)</u> | <u>(63,002)</u> | <u>-</u> | <u>-</u> | <u>(867,019)</u> |
| Total accumulated depreciation | <u>(117,907,470)</u> | <u>(17,736,277)</u> | <u>8,618,506</u> | <u>-</u> | <u>(127,025,241)</u> |
| Total capital assets being depreciated, net | <u>134,794,106</u> | <u>(17,736,277)</u> | <u>-</u> | <u>19,594,974</u> | <u>136,652,803</u> |
| Total capital assets | <u>\$ 148,329,422</u> | <u>\$ 966,038</u> | <u>\$ (143,705)</u> | <u>\$ -</u> | <u>\$ 149,151,755</u> |

5. PENSION PLANS

New York State and Local Employees' Retirement System

All of the employees of the RGRTA and GTCS participate in the New York State and Local Employees' Retirement System (the System or NYSLERS). The System is a cost-sharing multiple-employer retirement system. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Governor Alfred E. Smith Office Building, Albany, New York, 12244.

The total payroll for the Authority's employees covered by the System for the years ended March 31, 2018 and 2017 was \$1,620,810 and \$1,582,898, respectively. The GTCS payroll for employees covered by the System for the years ended March 31, 2018 and 2017 was \$484,020 and \$417,117, respectively.

Membership, benefits, and employer and employee obligations to contribute are described in the NYSRSSL using the tier concept. Pension legislation established tier membership by the date a member last joined the Retirement Systems and are as follows:

- Tier 1 - Those persons who last became members before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally those persons who are State correction officers who last became members on or after July 27, 1976, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for corrections officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 - Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 - Those persons who last became members on or after April 1, 2012.

5. PENSION PLANS (Continued)

New York State and Local Employees' Retirement System (Continued)

Tier 3 and Tier 4 members are required to contribute 3% of their wages to the plan for 10 years. Tier 5 members are required to contribute 3% of their salary for the length of their employment. Beginning April 1, 2013, the contribution rate for the Tier 6 members varies based on each member's annual compensation varying between 3% and 6%. The plan cannot be diminished or impaired. Benefits can be reduced for future membership only by an act of the New York Legislature. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as a percentage of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The Authority and GTCS contributions for fiscal years 2018, 2017 and 2016 were equal to the required contributions for the year and were as follows:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|-------|-------------------|-------------------|-------------------|
| RGRTA | \$ 270,192 | \$ 235,811 | \$ 231,749 |
| GTCS | <u>62,794</u> | <u>72,959</u> | <u>84,859</u> |
| | <u>\$ 332,986</u> | <u>\$ 308,770</u> | <u>\$ 316,608</u> |

Effective May 14, 2003, the System's billings require a minimum employer contribution of 4.5% annually of the fund value at April 1 of the previous fiscal year.

Single Employer Pension Plans

The Authority is the sponsor of four single employer defined benefit pension plans, specifically:

- Retirement Plan for Union Employees of Regional Transit Service, Inc. (RTS Union Plan),
- Retirement Plan for General Administrative and Supervisory (Non-Union) Employees of Regional Transit Service, Inc. (RTS Non-Union Plan),
- Retirement Plan for Union Employees of Lift Line, Inc. (Lift Line Union Plan), and
- Retirement Plan for Non-Union Employees of Lift Line, Inc. and Rural Properties (Lift Line and Regional Entities Non-Union Plan).

These plans provide retirement benefits for 1,287 active and inactive plan participants as of March 31, 2018. Stand-alone financial reports are not issued for any of the above-noted plans.

Each plan provides retirement, disability and death benefits to plan members and beneficiaries. The Board of Commissioners and the Union, if applicable, have the authority to establish and amend the contribution requirements and benefit provisions of each retirement plan.

In addition to providing pension benefits, the RTS Non-Union Plan provides certain postretirement health care and life insurance benefits. In accordance with the RTS Non-Union Plan document, the RTS Non-Union Plan is not required to contribute a portion of the cost if the plan is not funded greater than 120%. During 2018 and 2017, the RTS Non-Union Plan was not funded greater than 120%; therefore, the Plan did not fund this expense.

Participants of the RTS and Lift Line Union Plans are represented by the ATU, and are eligible for coverage on their dates of hire for full-time employment. The Authority is contractually obligated to make contributions on behalf of both the RTS and Lift Line Union Plans. In certain years, the contractual obligation could exceed the actuarially calculated annual required contribution.

5. PENSION PLANS (Continued)

Summary of Benefits Provided, Contributions and Funding Policy

The methods and assumptions used to calculate the actuarially determined and contractually required contributions, as well as the total pension liabilities as of each plan's actuarial valuation dates and then applied to all periods included in the measurement date, are as follows:

| | RTS Union Plan | RTS Non-Union Plan | Lift Line Union Plan | Lift Line and Regional Entities Non-Union Plan | NYSLERS |
|--|---|---|---|---|---|
| Plan type | Single Employer Defined Benefit Plan | Single Employer Defined Benefit Plan | Single Employer Defined Benefit Plan | Single Employer Defined Benefit Plan | Cost Sharing, Multi-Employer Defined Benefit Plan |
| Plan valuation date: | 11/1/2017 and 11/1/2016 | 4/1/2017 and 4/1/2016 | 4/1/2017 and 4/1/2016 | 5/1/2017 and 5/1/2016 | 4/1/2016 and 4/1/2015 |
| Plan measurement date: | 3/31/2018 and 3/31/2017 | 3/31/2018 and 3/31/2017 | 3/31/2018 and 3/31/2017 | 3/31/2018 and 3/31/2017 | 3/31/2017 and 3/31/2016 |
| Contribution rates: | | | | | |
| Employer | 1.5%(a) | (b) | 3.0% | (b) | See above |
| Plan members | 1.5%(a) | (g) | 3.0% | 3.0% | See above |
| Normal retirement age | 65 | 62 | 65 | 65 | See above |
| Benefits provided | Monthly benefit equal to 1.65% of the average of the five highest years' W-2 earnings (subject to a minimum of \$300 per month and a maximum of \$53 per month) multiplied by years of credited service. (d) | Monthly benefit calculated based on average compensation, as defined by plan, for three highest consecutive years multiplied by years of credited service times 1.75%. (e) | Monthly benefit calculated based on the employee's yearly compensation multiplied by years of credited service times 1.75% for each year of service in excess of 10 years and 1.85% for each year in excess of 20 years. | Monthly benefit calculated based on the employee's yearly compensation multiplied by years of credited service times 1.45%. | See above |
| Actuarial cost method | Projected Unit Credit | Projected Unit Credit | Unprojected Unit Credit | Unprojected Unit Credit | Aggregate Cost Method |
| Amortization method (c) | Level Dollar Method | Level Dollar Method | Level Dollar Method | Level Dollar Method | All unfunded actuarial liabilities are evenly (as a percentage of projected pay) amortized over the remaining worker lifetimes of the valuation cohort. |
| Amortization period | Closed - 10 years | Closed - 10 years | Closed - 10 years | Closed - 10 years | Closed - 5 years |
| Asset valuation method | Rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments at the valuation interest rate, and adding 20% of the difference between the reported market value and the expected actuarial value. | Rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments at the valuation interest rate, and adding 20% of the difference between the reported market value and the expected actuarial value. | Rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments at the valuation interest rate, and adding 20% of the difference between the reported market value and the expected actuarial value. | Rolling forward prior year's actuarial value with contributions, disbursements, and expected return on investments at the valuation interest rate, and adding 20% of the difference between the reported market value and the expected actuarial value. | 5 year level smoothing of the difference between the actual gain and the expected gain using the assumed rate of return. |
| Actuarial assumptions: | | | | | |
| Inflation | 3.00% | 3.00% | 3.25% | 3.25% | 2.70% |
| Projected salary increases | 8.25% per year for first seven years of service and 3.0% per year thereafter, including inflation | 3.5% per year, including inflation | 5.0% per year, including inflation | 4.5% per year, including inflation | 4.9% per year, including inflation |
| Investment rate of return | 7.5%, net of pension plan investment expense (expenses not paid from plan assets), including inflation | 7.1%, net of pension plan investment expense, including inflation | 7.25%, net of pension plan investment expense (expenses not paid from plan assets), including inflation | 7.1%, net of pension plan investment expense, including inflation | 7.5%, net of pension plan investment expense, including inflation |
| Mortality | Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. RP-2000 Disabled was applied for disabled lives. Mortality rates are adjusted for future mortality improvement by applying Scale AA on a generational basis. | Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. RP-2000 Disabled was applied for disabled lives. Mortality rates are adjusted for future mortality improvement by applying Scale AA on a generational basis. | Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. RP-2000 Disabled was applied for disabled lives. Mortality rates are adjusted for future mortality improvement by applying Scale AA on a generational basis. | Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables, for Males or Females. RP-2000 Disabled was applied for disabled lives. Mortality rates are adjusted for future mortality improvement by applying Scale AA on a generational basis. | Annuitant mortality rates are based on NYSLERS's 2010 experience study of the period April 1, 2005 through March 31, 2010 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. |
| Number of active and inactive members at 3/31/2018 | 848 | 275 | 67 | 97 | 19 |
| Number of active and inactive members at 3/31/2017 | 809 | 253 | 63 | 93 | 17 |

(a) If additional contributions are required to fund the benefits of the plan, plan members are required to contribute up to 0.5% of their salaries to fund the additional contribution. If further additional contributions are required, they are split equally between plan members and RTS.

(b) RTS' policy is generally to contribute annually an amount equal to the net employer normal cost (ARC).

(c) The amortization method used for all plans incorporates equal payments of principal and interest.

(d) Effective for the RTS Union Plan, after January 1, 2014, the monthly benefit maximum will increase to \$55 per month multiplied by the years of credited service.

(e) The percentage used is increased, as defined in the plan, for employees with more than 20 years of credited service with the employer.

(f) The annual required contribution for the RTS Union and Lift Line Union Plans has been adjusted to be based on the same measure of payroll and contractual obligations as the contributions recognized as additions in the statements of revenue, expenses and changes in net position.

(g) Effective for the RTS Non-Union Plan after March 31, 2015, all new hires will be required to contribute 3% of their annual wages.

5. PENSION PLANS (Continued)

Expected Rate of Return on Investments

The long-term expected rate of return on the Authority's pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a downward risk adjustment is applied to the baseline expected return.

The long-term expected rate of return on pension plan investments for each of the Authority's pension plans and the NYSLERS plans, along with the target asset allocation of each of the funds and the weighted-average real and total expected rates of return (except for NYSLERS, for which only the weighted average real rates were provided) for the fiscal year ended March 31, 2018 are summarized in the following tables:

| RTS Union Plan | | | RTS Non-Union Plan | | |
|---------------------------------|------------------------------|--|---------------------------------|------------------------------|--|
| <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % | <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % |
| Equity Class | 55.00 | 6.45 | Equity Class | 49.00 | 5.95 |
| Fixed Income | 43.00 | 3.31 | Fixed Income | 49.00 | 2.81 |
| Alternatives | 1.00 | 8.35 | Alternatives | 1.00 | 7.85 |
| Cash Equivalents | 1.00 | 0.85 | Cash Equivalents | 1.00 | 0.85 |
| | <u>100.00</u> | 5.06 | | <u>100.00</u> | 4.38 |
| Plus inflation | | <u>2.75</u> | Plus inflation | | <u>2.75</u> |
| Total return without adjustment | | 7.81 | Total return without adjustment | | 7.13 |
| Risk adjustment | | <u>(0.31)</u> | Risk adjustment | | <u>(0.03)</u> |
| Total expected return | | <u>7.50</u> | Total expected return | | <u>7.10</u> |

| Lift Line Union Plan | | | Lift Line and Regional Entities Non-Union Plan | | |
|---------------------------------|------------------------------|--|--|------------------------------|--|
| <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % | <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % |
| Equity Class | 55.00 | 6.45 | Equity Class | 54.00 | 5.95 |
| Fixed Income | 43.00 | 3.31 | Fixed Income | 43.00 | 2.81 |
| Alternatives | 1.00 | 8.35 | Alternatives | 1.00 | 7.85 |
| Cash Equivalents | 1.00 | 0.85 | Cash Equivalents | 2.00 | 0.80 |
| | <u>100.00</u> | 5.07 | | <u>100.00</u> | 4.52 |
| Plus inflation | | <u>2.75</u> | Plus inflation | | <u>2.75</u> |
| Total return without adjustment | | 7.82 | Total return without adjustment | | 7.27 |
| Risk adjustment | | <u>(0.32)</u> | Risk adjustment | | <u>(0.17)</u> |
| Total expected return | | <u>7.50</u> | Total expected return | | <u>7.10</u> |

| NYSLERS | | |
|--------------------|------------------------------|--|
| <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % |
| Equity Class | 60.00 | 6.22 |
| Fixed Income | 21.00 | 1.41 |
| Alternatives | 18.00 | 5.31 |
| Cash Equivalents | 1.00 | (0.25) |
| | <u>100.00</u> | 4.98 |

5. PENSION PLANS (Continued)

Expected Rate of Return on Investments (Continued)

The long-term expected rate of return on pension plan investments for each of the Authority's pension plans and the NYSLERS plans, along with the target asset allocation of each of the funds and the weighted-average real and total expected rates of return (except for NYSLERS, for which only the weighted average real rates were provided) for the fiscal year ended March 31, 2017 are summarized in the following tables:

| RTS Union Plan | | | RTS Non-Union Plan | | |
|---------------------------------|------------------------------|--|---------------------------------|------------------------------|--|
| <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % | <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % |
| Equity Class | 55.00 | 6.45 | Equity Class | 49.00 | 5.95 |
| Fixed Income | 43.00 | 3.31 | Fixed Income | 49.00 | 2.81 |
| Alternatives | 1.00 | 8.35 | Alternatives | 1.00 | 7.85 |
| Cash Equivalents | 1.00 | 0.85 | Cash Equivalents | 1.00 | 0.85 |
| | <u>100.00</u> | 5.06 | | <u>100.00</u> | 4.38 |
| Plus inflation | | <u>2.75</u> | Plus inflation | | <u>2.75</u> |
| Total return without adjustment | | 7.81 | Total return without adjustment | | 7.13 |
| Risk adjustment | | <u>(0.31)</u> | Risk adjustment | | <u>(0.03)</u> |
| Total expected return | | <u>7.50</u> | Total expected return | | <u>7.10</u> |

| Lift Line Union Plan | | | Lift Line and Regional Entities Non-Union Plan | | |
|---------------------------------|------------------------------|--|--|------------------------------|--|
| <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % | <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % |
| Equity Class | 55.00 | 6.45 | Equity Class | 54.00 | 5.95 |
| Fixed Income | 43.00 | 3.31 | Fixed Income | 43.00 | 2.81 |
| Alternatives | 1.00 | 8.35 | Alternatives | 1.00 | 7.85 |
| Cash Equivalents | 1.00 | 0.85 | Cash Equivalents | 2.00 | 0.80 |
| | <u>100.00</u> | 5.07 | | <u>100.00</u> | 4.52 |
| Plus inflation | | <u>2.75</u> | Plus inflation | | <u>2.75</u> |
| Total return without adjustment | | 7.82 | Total return without adjustment | | 7.27 |
| Risk adjustment | | <u>(0.32)</u> | Risk adjustment | | <u>(0.17)</u> |
| Total expected return | | <u>7.50</u> | Total expected return | | <u>7.10</u> |

| NYSLERS | | |
|--------------------|------------------------------|--|
| <u>Asset Class</u> | Target Allocation in % | Long-Term Expected Real Rate of Return in % |
| Equity Class | 61.00 | 5.75 |
| Fixed Income | 20.00 | 4.00 |
| Alternatives | 17.00 | 7.91 |
| Cash Equivalents | 2.00 | 0.80 |
| | <u>100.00</u> | 7.21 |

5. PENSION PLANS (Continued)

Net Pension Liability

The Authority's net pension liabilities for each of the pension plans reported at March 31, 2018 and 2017 were measured as of the Authority's fiscal year end. The total pension liabilities used to calculate those net pension liabilities were determined by actuarial valuations as of each pension plan's valuation date, and rolled forward to the Authority's fiscal year end.

Changes in the Net Pension Liability and Related Ratios

Changes in the Authority's pension plans for the year ended March 31, 2018, based upon the measurement dates noted above, are as follows:

| | RTS Union Plan | RTS Non- Union Plan | Lift Line Union Plan | Lift Line and Regional Entities Non- Union Plan |
|--|-------------------|------------------------|-------------------------|--|
| Total pension liability | | | | |
| Service cost | \$ 956,673 | \$ 752,373 | \$ 127,406 | \$ 158,474 |
| Interest | 4,105,938 | 1,625,024 | 115,867 | 181,270 |
| Changes of benefit terms | - | - | 89,036 | - |
| Differences between expected and actual experience | 632,182 | 373,299 | (232,120) | 19,244 |
| Changes of assumptions | - | - | - | - |
| Benefit payments, including refunds of member contributions | (4,454,427) | (1,391,644) | (154,442) | (109,453) |
| Net change in total pension liability | 1,240,366 | 1,359,052 | (54,253) | 249,535 |
| Total pension liability - beginning | \$ 55,158,992 | \$ 22,445,882 | \$ 2,912,581 | \$ 2,428,863 |
| Total pension liability - ending (a) | \$ 56,399,358 | \$ 23,804,934 | \$ 2,858,328 | \$ 2,678,398 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 527,320 | \$ 936,304 | \$ 95,578 | \$ 135,093 |
| Contributions - member | 982,116 | 36,793 | 88,185 | 82,329 |
| Net investment income | 5,906,020 | 1,425,790 | 322,496 | 189,434 |
| Benefit payments, including refunds of member contributions | (4,454,427) | (1,391,644) | (154,442) | (109,453) |
| Administrative expense | (23,876) | (194,979) | (1,685) | (30,745) |
| Net change in plan fiduciary net position | \$ 2,937,153 | \$ 812,264 | \$ 350,132 | \$ 266,658 |
| Plan fiduciary net position - beginning | 51,422,603 | 19,281,731 | 3,438,487 | 1,991,702 |
| Plan fiduciary net position - ending (b) | \$ 54,359,756 | \$ 20,093,995 | \$ 3,788,619 | \$ 2,258,360 |
| Net pension (asset) liability - beginning | \$ 3,736,389 | \$ 3,164,151 | \$ (525,906) | \$ 437,161 |
| Net pension (asset) liability - ending (a)-(b) | \$ 2,039,602 | \$ 3,710,939 | \$ (930,291) | \$ 420,038 |
| Plan fiduciary net position as a percentage of the total pension liability | 96.4% | 84.4% | 132.5% | 84.3% |
| Covered-employee payroll | \$ 25,530,660 | \$ 7,148,977 | \$ 2,480,465 | \$ 2,287,198 |
| Net pension (asset) liability as a percentage of covered employee payroll | 8.0% | 51.9% | -37.5% | 18.4% |

PENSION PLANS (Continued)

Changes in the Net Pension Liability and Related Ratios (Continued)

Changes in the Authority's pension plans for the year ended March 31, 2017, based upon the measurement dates noted above, are as follows:

| | RTS Union Plan | RTS Non-Union Plan | Lift Line Union Plan | Lift Line and Regional Entities Non- Union Plan |
|--|----------------------|-----------------------|-------------------------|--|
| Total pension liability | | | | |
| Service cost | \$ 1,066,837 | \$ 744,512 | \$ 123,370 | \$ 154,554 |
| Interest | 3,984,932 | 1,529,381 | 206,749 | 164,495 |
| Changes of benefit terms | 3,081,935 | - | - | - |
| Differences between expected and actual experience | (1,303,753) | (223,423) | (14,501) | (13,667) |
| Changes of assumptions | (3,957,115) | (144,017) | (650,992) | (138,536) |
| Benefit payments, including refunds of member contributions | <u>(3,821,701)</u> | <u>(1,227,102)</u> | <u>(99,850)</u> | <u>(102,539)</u> |
| Net change in total pension liability | (948,865) | 679,351 | (435,224) | 64,307 |
| Total pension liability - beginning | <u>\$ 56,107,857</u> | <u>\$ 21,766,531</u> | <u>\$ 3,347,805</u> | <u>\$ 2,364,556</u> |
| Total pension liability - ending (a) | <u>\$ 55,158,992</u> | <u>\$ 22,445,882</u> | <u>\$ 2,912,581</u> | <u>\$ 2,428,863</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 466,780 | \$ 1,338,418 | \$ 82,112 | \$ 141,035 |
| Contributions - member | 936,866 | 28,288 | 82,013 | 60,526 |
| Net investment income | 5,663,063 | 1,451,903 | 322,902 | 179,352 |
| Benefit payments, including refunds of member contributions | (3,821,701) | (1,227,102) | (99,850) | (102,539) |
| Administrative expense | <u>(33,011)</u> | <u>(200,894)</u> | <u>(132)</u> | <u>(29,922)</u> |
| Net change in plan fiduciary net position | \$ 3,211,997 | \$ 1,390,613 | \$ 387,045 | \$ 248,452 |
| Plan fiduciary net position - beginning | <u>48,210,606</u> | <u>17,891,118</u> | <u>3,051,442</u> | <u>1,743,250</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 51,422,603</u> | <u>\$ 19,281,731</u> | <u>\$ 3,438,487</u> | <u>\$ 1,991,702</u> |
| Net pension (asset) liability - beginning | <u>\$ 7,897,251</u> | <u>\$ 3,875,413</u> | <u>\$ 296,363</u> | <u>\$ 621,306</u> |
| Net pension (asset) liability - ending (a)-(b) | <u>\$ 3,736,389</u> | <u>\$ 3,164,151</u> | <u>\$ (525,906)</u> | <u>\$ 437,161</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 93.2% | 85.9% | 118.1% | 82.0% |
| Covered-employee payroll | \$ 26,870,781 | \$ 6,100,203 | \$ 2,295,132 | \$ 2,218,472 |
| Net pension (asset) liability as a percentage of covered employee payroll | <u>13.9%</u> | <u>51.9%</u> | <u>-22.9%</u> | <u>19.7%</u> |

RGRTA and GTCS Proportion of Net Pension Liability - NYSLERS

The following table presents the RGRTA's and GTCS' proportionate share of the net pension liability of NYSLERS based on the April 1, 2016 valuation, rolled forward to March 31, 2018, and the proportion percentage of the aggregate net pension liability of that plan aggregated to the Authority and GTCS:

| | RGRTA | GTCS |
|--|------------|------------|
| Proportion of the net pension liability | \$ 546,397 | \$ 237,663 |
| Proportionate share of the net pension liability | 0.2529300% | 0.0026778% |

The following table presents the RGRTA's and GTCS' proportionate share of the net pension liability of NYSLERS based on the April 1, 2015 valuation, rolled forward to March 31, 2017, and the proportion percentage of the aggregate net pension liability of that plan aggregated to the Authority and GTCS:

| | RGRTA | GTCS |
|--|------------|------------|
| Proportion of the net pension liability | \$ 819,336 | \$ 429,802 |
| Proportionate share of the net pension liability | 0.0051048% | 0.0026778% |

5. PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability of each pension plan is presented in the following table:

| Plan | Discount Rate % | |
|---|-----------------|----------------|
| | March 31, 2018 | March 31, 2017 |
| RTS Union | 7.50 | 7.50 |
| RTS Non-Union | 7.10 | 7.10 |
| Lift Line Union | 7.50 | 7.50 |
| Lift Line and Regional Entities Non-Union | 7.10 | 7.10 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for each of the Authority's plans, calculated using the discount rates for each plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

RTS Union Plan

| | March 31, 2018 | | | March 31, 2017 | | |
|-------------------------------|------------------|--------------|----------------|----------------|---------------|-------------|
| | Current Discount | | | Current | | |
| | 1% Decrease | Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| Discount rate | 6.50% | 7.50% | 8.50% | 6.50% | 7.50% | 8.50% |
| Net pension (asset) liability | \$ 7,213,875 | \$ 2,039,602 | \$ (2,906,586) | \$ 10,418,145 | \$ 3,736,389 | \$ 298,722 |

RTS Non-Union Plan

| | March 31, 2018 | | | March 31, 2017 | | |
|-----------------------|------------------|--------------|--------------|----------------|---------------|--------------|
| | Current Discount | | | Current | | |
| | 1% Decrease | Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| Discount rate | 6.10% | 7.10% | 8.10% | 6.10% | 7.10% | 8.10% |
| Net pension liability | \$ 6,356,903 | \$ 3,710,939 | \$ 1,466,961 | \$ 5,659,210 | \$ 3,164,151 | \$ 1,047,489 |

Lift Line Union Plan

| | March 31, 2018 | | | March 31, 2017 | | |
|-------------------------------|------------------|--------------|----------------|----------------|---------------|--------------|
| | Current Discount | | | Current | | |
| | 1% Decrease | Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| Discount rate | 6.50% | 7.50% | 8.50% | 6.50% | 7.50% | 8.50% |
| Net pension (asset) liability | \$ (567,961) | \$ (930,291) | \$ (1,243,434) | \$ (157,422) | \$ (525,906) | \$ (844,203) |

Lift Line and Regional Entities Non-Union Plan

| | March 31, 2018 | | | March 31, 2017 | | |
|-----------------------|------------------|------------|-------------|----------------|---------------|-------------|
| | Current Discount | | | Current | | |
| | 1% Decrease | Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| Discount rate | 6.10% | 7.10% | 8.10% | 6.10% | 7.10% | 8.10% |
| Net pension liability | \$ 720,988 | \$ 420,038 | \$ 162,651 | \$ 673,139 | \$ 437,161 | \$ 167,825 |

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. PENSION PLANS (Continued)

Sensitivity of RGRTA and GTCS Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - NYSLERS

The following presents RGRTA's and GTCS' share of the net pension liability for NYSLERS using the current discount rate, as well as the proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

RGRTA

| | March 31, 2018 | | | March 31, 2017 | | |
|-------------------------------|------------------|------------|--------------|------------------|---------------|-------------|
| | Current Discount | | | Current Discount | | |
| | 1% Decrease | Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| Discount rate | 6.00% | 7.00% | 8.00% | 6.00% | 7.00% | 8.00% |
| Net pension (asset) liability | \$ 1,745,084 | \$ 546,397 | \$ (467,090) | \$ 1,847,542 | \$ 819,336 | \$ (49,455) |

GTCS

| | March 31, 2018 | | | March 31, 2017 | | |
|-------------------------------|------------------|------------|--------------|------------------|---------------|-------------|
| | Current Discount | | | Current Discount | | |
| | 1% Decrease | Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| Discount rate | 6.00% | 7.00% | 8.00% | 6.00% | 7.00% | 8.00% |
| Net pension (asset) liability | \$ 759,048 | \$ 237,663 | \$ (203,167) | \$ 969,173 | \$ 429,802 | \$ (25,943) |

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

For the years ended March 31, 2018 and 2017, the Authority recognized pension expense related to each pension plan as follows:

| Pension Plan | 2018 | 2017 |
|---------------------|---------------------|---------------------|
| RTS Union | \$ 774,825 | \$ 4,467,539 |
| RTS Non-Union | 1,403,795 | 1,336,794 |
| Lift Line Union | (26,343) | 46,602 |
| Lift Line Non-Union | 140,524 | 164,492 |
| RGRTA - NYSLERS | 330,354 | 303,154 |
| GTCS - NYSLERS | 114,338 | 138,381 |
| | <u>\$ 2,737,493</u> | <u>\$ 6,456,962</u> |

5. PENSION PLANS (Continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of March 31, 2018, the Authority reported deferred outflow and deferred inflow of resources for each pension plan as follows:

| | RTS Union Plan | | RTS Non-Union Plan | | Lift Line Union Plan | |
|--|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,612,992 | \$ (931,253) | \$ 311,082 | \$ (234,112) | \$ 53,985 | \$ (222,883) |
| Net difference between projected and actual earnings on plan investments | 2,038,885 | (3,003,021) | 616,889 | (204,127) | 125,297 | (113,929) |
| Changes in actuarial assumptions | 1,701,046 | (2,826,511) | - | (86,411) | 169,478 | (532,630) |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | - | - | - | - |
| Employer contributions to the plan subsequent to the measurement date of the net pension liability | - | - | - | - | - | - |
| Total | \$ 5,352,923 | \$ (6,760,785) | \$ 927,971 | \$ (524,650) | \$ 348,760 | \$ (869,442) |
| | | | | | | |
| | Lift Line and Regional Entities Non-Union Plan | | RGRTA - NYSLERS | | GTC - NYSLERS | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 76,513 | \$ (10,251) | \$ 13,692 | \$ (82,973) | \$ 5,956 | \$ (36,091) |
| Net difference between projected and actual earnings on plan investments | 62,648 | (61,861) | 186,669 | - | 81,194 | - |
| Changes in actuarial assumptions | - | (168,429) | 109,138 | - | 47,471 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | 51,401 | - | - | (63,565) |
| Employer contributions to the plan subsequent to the measurement date of the net pension liability | - | - | 270,192 | - | 62,794 | - |
| Total | \$ 139,161 | \$ (240,541) | \$ 631,092 | \$ (82,973) | \$ 197,415 | \$ (99,656) |

5. PENSION PLANS (Continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of March 31, 2017, the Authority reported deferred outflow and deferred inflow of resources for each pension plan as follows:

| | RTS Union Plan | | RTS Non-Union Plan | | Lift Line Union Plan | |
|--|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,428,163 | \$ (1,117,503) | \$ - | \$ (328,826) | \$ 62,982 | \$ (13,183) |
| Net difference between projected and actual earnings on plan investments | 3,058,328 | (1,708,806) | 925,334 | (157,270) | 187,945 | (81,874) |
| Changes in actuarial assumptions | 2,268,061 | (3,391,813) | - | (115,214) | 197,724 | (591,811) |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | - | - | - | - |
| Employer contributions to the plan subsequent to the measurement date of the net pension liability | - | - | - | - | - | - |
| Total | \$ 6,754,552 | \$ (6,218,122) | \$ 925,334 | \$ (601,310) | \$ 448,651 | \$ (686,868) |
| Lift Line and Regional Entities Non-Union Plan | | | | | | |
| | Lift Line and Regional Entities Non-Union Plan | | RGRTA - NYSLERS | | GTC - NYSLERS | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 74,594 | \$ (11,959) | \$ 4,140 | \$ (97,119) | \$ 2,172 | \$ (50,946) |
| Net difference between projected and actual earnings on plan investments | 93,973 | (38,934) | 486,075 | - | 254,982 | - |
| Changes in actuarial assumptions | - | (196,500) | 218,492 | - | 114,615 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - | 33,819 | - | - | (52,339) |
| Employer contributions to the plan subsequent to the measurement date of the net pension liability | - | - | 235,811 | - | 72,959 | - |
| Total | \$ 168,567 | \$ (247,393) | \$ 978,337 | \$ (97,119) | \$ 444,728 | \$ (103,285) |

5. PENSION PLANS (Continued)

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The annual differences between the projected and actual earnings on investments are amortized over a five year closed period beginning the year in which the difference occurs.

Amounts reported as net deferred outflows (inflows) of resources related to pensions will be recognized in future pension expense as follows:

| Year Ending March 31 | RTS Union Plan | RTS Non-Union Plan | Lift Line Union Plan | Lift Line and Regional Entities Non-Union Plan | RGRTA - NYSLERS | GTC - NYSLERS | Total |
|----------------------|-----------------------|--------------------|----------------------|--|-------------------|------------------|-----------------------|
| 2019 | \$ 424,703 | \$ 186,284 | \$ (15,308) | \$ 972 | \$ 120,787 | \$ 23,184 | \$ 740,622 |
| 2020 | 424,702 | 186,282 | (15,307) | 970 | 120,787 | 23,184 | 740,618 |
| 2021 | (594,738) | (72,134) | (77,958) | (30,351) | 102,709 | 27,105 | (645,367) |
| 2022 | (1,091,595) | 40,675 | (57,490) | (20,621) | (66,356) | (38,508) | (1,233,895) |
| 2023 | (661,244) | 62,214 | (44,358) | (27,373) | - | - | (670,761) |
| Thereafter | 90,310 | - | (310,261) | (24,977) | - | - | (244,928) |
| | <u>\$ (1,407,862)</u> | <u>\$ 403,321</u> | <u>\$ (520,682)</u> | <u>\$ (101,380)</u> | <u>\$ 277,927</u> | <u>\$ 34,965</u> | <u>\$ (1,313,711)</u> |

Summary of Net Pension Liabilities, Deferred Outflows and Deferred Inflows

The components of the net pension liabilities, deferred outflows of resources and deferred inflows of resources are as follows as of March 31,:

| | March 31, 2018 | | | March 31, 2017 | | |
|--|-------------------------------|--------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|
| Plan | Net Pension Liability (Asset) | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Pension Liability (Asset) | Deferred Outflows of Resources | Deferred Inflows of Resources |
| RTS Union | \$ 2,039,602 | \$ 5,352,923 | \$ 6,760,785 | \$ 3,736,389 | \$ 6,754,552 | \$ 6,218,122 |
| RTS Non-Union | 3,710,939 | 927,971 | 524,650 | 3,164,151 | 925,334 | 601,310 |
| Lift Line Union | (930,291) | 348,760 | 869,442 | (525,906) | 448,651 | 686,868 |
| Lift Line and Regional Entities Non-Union Plan | 420,038 | 139,161 | 240,541 | 437,161 | 168,567 | 247,393 |
| RGRTA - NYSLERS | 546,397 | 631,092 | 82,973 | 819,336 | 978,337 | 97,119 |
| GTC - NYSLERS | 237,663 | 197,415 | 99,656 | 429,802 | 444,728 | 103,285 |
| Total | <u>\$ 6,024,348</u> | <u>\$ 7,597,322</u> | <u>\$ 8,578,047</u> | <u>\$ 8,060,933</u> | <u>\$ 9,720,169</u> | <u>\$ 7,954,097</u> |

6. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Authority provides certain postemployment insurance benefits to retired RTS union employees and non-union employees of RTS and RGRTA. These benefits are provided based upon collective bargaining agreements as well as established practices which together constitute a substantive plan (the Plan). The Authority combines the two plans and administers as a single employer defined benefit other postemployment benefit (OPEB) Plan.

Employees are eligible to participate if they meet the criteria for normal retirement (age 65 and minimum 10 years of service for union, and age 62 and minimum 10 years of service for non-union), disability retirement (15 years of service for union and non-union) or early retirement (age 55 and minimum 25 years of service for union, age 55 and minimum 15 years of service for non-union). The plan has 538 active participants as of March 31, 2018. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

Currently, the Plan is funded by the Authority on a pay-as-you-go basis. As of the date of these financial statements, New York State has not yet adopted legislation that would enable government entities to establish a GASB qualifying trust for the purpose of funding OPEB benefits. Pending such legislation, the Authority established an OPEB reserve fund in 2007.

Annual OPEB Cost and Net OPEB Obligation

In fiscal 2017, the Authority retained an independent actuarial firm to perform a calculation of the expected value of the Plan's OPEB obligation. This valuation report provides the Authority's obligations for fiscal 2017 and fiscal 2018 in accordance with GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* The valuation was performed using census data and plan provisions as of April 1, 2016. While there is not a requirement to fund the obligation, the Board of Commissioners has designated funds to provide funding for a dedicated OPEB trust account when permitted to do so by state legislation.

The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus the amortization of the unfunded actuarial accrued liability (UAAL) over a 30 year period. The following tables set forth the components of the RGRTA and RTS' OPEB expense for 2018 and 2017, the amount actually contributed to the Plan, and the changes in the net OPEB obligation:

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

| | <u>RGRTA</u> | <u>RTS</u> | <u>Total</u> |
|--|-------------------|----------------------|----------------------|
| Annual required contribution before Interest | \$ 112,326 | \$ 8,875,767 | \$ 8,988,093 |
| Interest on net OPEB obligation | 27,117 | 1,566,184 | 1,593,301 |
| Amortization of UAAL | <u>(41,407)</u> | <u>(2,391,523)</u> | <u>(2,432,930)</u> |
| Annual OPEB cost | 98,036 | 8,050,428 | 8,148,464 |
| Contributions made | <u>(11,674)</u> | <u>(2,740,950)</u> | <u>(2,752,624)</u> |
| Increase in Net OPEB Obligation | 86,362 | 5,309,478 | 5,395,840 |
| Net OPEB Obligation - April 1, 2017 | <u>861,141</u> | <u>50,057,587</u> | <u>50,918,728</u> |
| Net OPEB Obligation - March 31, 2018 | <u>\$ 947,503</u> | <u>\$ 55,367,065</u> | <u>\$ 56,314,568</u> |
| | <u>RGRTA</u> | <u>RTS</u> | <u>Total</u> |
| Annual required contribution before interest | \$ 112,326 | \$ 8,875,767 | \$ 8,988,093 |
| Interest on net OPEB obligation | 27,117 | 1,566,184 | 1,593,301 |
| Amortization of UAAL | <u>(41,407)</u> | <u>(2,391,523)</u> | <u>(2,432,930)</u> |
| Annual OPEB cost | 98,036 | 8,050,428 | 8,148,464 |
| Contributions made | <u>(11,674)</u> | <u>(2,740,950)</u> | <u>(2,752,624)</u> |
| Increase in Net OPEB Obligation | 86,362 | 5,309,478 | 5,395,840 |
| Net OPEB Obligation - April 1, 2016 | <u>774,779</u> | <u>44,748,109</u> | <u>45,522,888</u> |
| Net OPEB Obligation - March 31, 2017 | <u>\$ 861,141</u> | <u>\$ 50,057,587</u> | <u>\$ 50,918,728</u> |

Percentage of Annual OPEB Cost

Schedule of OPEB Cost Contributed

| <u>Actuarial Valuation Date</u> | <u>Annual OPEB Cost</u> | <u>% of OPEB Cost Contributed</u> | <u>Contribution (ARC)</u> | <u>% of ARC Contributed</u> | <u>Net OPEB Obligation</u> |
|---|-----------------------------|---|-------------------------------|---------------------------------|------------------------------------|
| 4/1/10 | \$ 5,190,700 | 55.5% | 5,491,800 | 52.4% | \$22,352,659 |
| 4/1/11 | 5,190,000 | 53.3 | 5,491,800 | 50.3 | 24,778,888 |
| 4/1/12 | 6,244,000 | 27.2 | 6,725,000 | 25.2 | 29,326,888 |
| 4/1/13 | 6,244,000 | 27.2 | 6,725,000 | 25.2 | 33,874,888 |
| 4/1/14 | 7,762,000 | 25.0 | 8,495,000 | 22.8 | 39,698,888 |
| 4/1/15 | 7,762,000 | 25.0 | 8,495,000 | 22.8 | 45,522,888 |
| 4/1/16 | 8,148,464 | 25.0 | 8,988,093 | 30.6 | 50,918,728 |
| 4/1/17 | 8,148,464 | 25.0 | 8,988,093 | 30.6 | 56,314,568 |

6. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2016 actuarial valuation the following methods and assumptions were used:

| | |
|------------------------------|---|
| Actuarial Cost Method | Projected Unit Credit |
| Rate of Inflation | 2.9% per annum, compounded annually |
| Discount Rate* | 3.5% |
| Medical Care Cost Trend Rate | 6.5% pre-Medicare and post-Medicare in 2016, decreasing gradually until the ultimate post-Medicare rate of 4.70% in 2083. |

Unfunded Actuarial Accrued Liability:

| | |
|---------------------|--------------|
| Amortization Period | 30 years |
| Amortization Method | Level Dollar |
| Amortization Basis | Closed |

* As the plan is unfunded, the assumed discount rate considers that the Authority's investment assets are short term in nature, such as money market funds.

7. SELF-INSURANCE

The Authority maintains aggregate automobile liability insurance coverage of \$15,000,000, including the first \$1,500,000 per incident for which the Authority is self-insured. The Authority is also self-insured for workers' compensation, environmental claims, and certain forms of property damage. The Authority has set aside assets for claim settlement and servicing. All component units of the Authority are covered by these assets.

7. SELF-INSURANCE (Continued)

Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Annually, the Authority engages an actuary to perform a study to estimate the potential exposure related to incurred but not reported claims for workers' compensation.

The information below summarizes the workers' compensation activity for the years ended March 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Balance - April 1 | \$ 5,210,000 | \$ 3,400,071 |
| Current Year Claims and Changes in Estimates | 1,860,360 | 2,486,497 |
| Claims Payments | <u>(920,360)</u> | <u>(676,568)</u> |
| Balance - March 31 | <u>\$ 6,150,000</u> | <u>\$ 5,210,000</u> |

The information below summarizes the reserve for litigated and unlitigated claims activity for the years ended March 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Balance - April 1 | \$ 2,970,292 | \$ 7,130,285 |
| Current Year Claims and Changes in Estimates | 1,117,479 | (318,191) |
| Claims (Payments)/Recoupments | <u>(556,795)</u> | <u>(3,841,802)</u> |
| Balance - March 31 | <u>\$ 3,530,976</u> | <u>\$ 2,970,292</u> |

Changes in the investments designated for self-insurance during the years ended March 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Balance - April 1 | \$ 3,765,599 | \$ 3,736,149 |
| Uses of self-insurance investments | - | - |
| Earnings on self-insurance investments, net | <u>21,087</u> | <u>29,450</u> |
| Balance - March 31 | <u>\$ 3,786,686</u> | <u>\$ 3,765,599</u> |

The amount of assets segregated for self-insurance has been estimated by the Authority based upon past experience and consideration of current outstanding issues and is not the result of an actuarially-determined methodology.

8. CAPITAL RESERVE FUND

In fiscal 1999, the Board of Commissioners authorized the establishment of a capital reserve fund to accumulate resources for future capital purchases. The capital reserve was funded initially from unrestricted net assets. During fiscal 2000 and 2007, \$1,200,000 and \$1,000,000, respectively, was added to the capital reserve fund from additional Statewide Mass Transit Operating Assistance (STOA) funding. Otherwise, the capital reserve fund has been funded with amounts budgeted for local depreciation, to the extent practicable.

Changes in the investments designated for capital reserve during the years ended March 31, 2018 and 2017 are as follows:

| | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|
| Balance - April 1 | \$ - | \$ - |
| Additional funding from unrestricted net position | - | - |
| Temporary funding from working capital | 1,550,953 | 2,799,413 |
| Investment earnings | - | - |
| Local share of capital purchases | <u>(1,550,953)</u> | <u>(2,799,413)</u> |
| Balance - March 31 | <u>\$ -</u> | <u>\$ -</u> |

9. COMMITMENTS

Fuel Swap

The Authority entered into contracts with Cargill to reduce the risk of price volatility for diesel fuel supply for the periods shown below. The Authority has treated each of these contracts as a normal purchase contract and accordingly, has determined that they are not subject to the requirements of GASB Statement No. 53, *Accounting and Reporting for Derivative Instruments*.

The swap contracts for year ended March 31, 2018 and 2017 covered approximately 64% and 66%, respectively, of total fuel establishing a cap on fuel cost per gallon for that portion of fuel needs. The balance of the Authority's fuel supply needs were purchased via the spot market to take advantage of market prices that fall below the fixed price swap amount per gallon.

9. COMMITMENTS (Continued)

Terms

The terms of the Authority's fuel swap contracts were as follows:

| <u>Notional Amount</u> | <u>Counter-Party Credit Rating *</u> | <u>Effective Date</u> | <u>Maturity Date</u> | <u>Terms</u> |
|--|--------------------------------------|-----------------------|----------------------|---|
| 31,000 Gallons of Diesel Fuel per month | A | 4/1/2016 | 3/31/2017 | Pay \$2.3450 per gallon of diesel fuel, receive floating price NY Harbor Ultra Low Sulfur Diesel Fuel price back. |
| 85,000 Gallons of Diesel Fuel per month | A | 4/1/2016 | 3/31/2017 | Pay \$1.3625 per gallon of diesel fuel, receive floating price NY Harbor Ultra Low Sulfur Diesel Fuel price back. |
| 114,500 Gallons of Diesel Fuel per Month | A | 4/1/2017 | 3/31/2018 | Pay \$1.4915 per gallon of diesel fuel, receive floating price NY Harbor Ultra Low Sulfur Diesel Fuel price back. |
| 114,660 Gallons of Diesel Fuel per Month | A | 4/1/2018 | 3/31/2019 | Pay \$1.9061 per gallon of diesel fuel, receive floating price NY Harbor Ultra Low Sulfur Diesel Fuel price back. |

* As noted by Standard and Poors.

During fiscal 2018, the Authority received \$358,879 in net cash payments from Cargill. During fiscal 2017 the Authority made \$206,237 in net cash payments to Cargill.

Credit Risk

The Authority is exposed to credit risk related to the fuel swap when it is in an asset position. In such instances, the total amount of the fuel swap contract represents the maximum loss that would have been recognized at the reporting date if Cargill failed to perform. The Authority has entered into a collateral support agreement with Cargill to mitigate the risk of non-performance during the period the fuel swap is in effect.

The collateral agreement requires that if the performance exposure and, the position market value of the fuel swap, were to exceed \$7,500,000, then either party may demand the other party transfer collateral at least equal to the excess exposure. The collateral shall be in the form of U.S. dollars and held in a bank account in the United States.

The fuel swap could terminate at any time if certain events occur that result in one party not performing in accordance with the agreement. The fuel swap may terminate due to illegality, a credit event upon merger, or an event of default and illegality. If the fuel swap is in a liability position at the time of termination, the Authority would be liable for a payment equal to the liability.

10. CONTINGENCIES

The Authority and certain of the Organizations are defendants in various personal injury, property damage liability and labor dispute lawsuits. It is not possible at this time to predict the outcome of the legal actions currently in process or pending against the Authority and the Organizations. In the opinion of management, however, the disposition of the lawsuits will not have a material adverse effect on the financial position of the Authority and the Organizations.

11. SOIL REMEDIATION LIABILITY

Pollution remediation obligations, which are estimates and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations, occur when any one of the following obligating events takes place:

- An imminent threat to public health due to pollution exists,
- The Authority is in violation of a pollution prevention-related permit or license,
- The Authority is named by a regulator as a responsible or potentially responsible party to participate in remediation,
- The Authority is named or there is evidence to indicate that it will be named in a lawsuit that compels participation in remediation activities, or
- The Authority voluntarily commends or legally obligates itself to commence remediation efforts.

In 2009, the Authority identified and estimated costs related to a remediation obligation and accordingly, recorded a non-operating expense and corresponding liability for soil contamination remediation obligations. The soil remediation liability consists of future and present activities associated with the de-contamination of the soil at the Authority's operations headquarters. This liability could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

The Authority had the following activity related to soil remediation for the years ended March 31:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|---------------------|
| Soil remediation liability - April 1 | \$ 1,249,311 | \$ 1,437,236 |
| Expected additional future outlays, increasing liability Estimates | - | - |
| Payments for soil remediation and changes in estimate | <u>(320,511)</u> | <u>(187,925)</u> |
| Soil remediation liability - March 31 | 928,800 | 1,249,311 |
| Less: Current portion | <u>(314,050)</u> | <u>(184,231)</u> |
| Long-term soil remediation liability | <u>\$ 614,750</u> | <u>\$ 1,065,080</u> |

The Authority has estimated it will expend \$314,050 during the year ending March 31, 2019 and has recorded this amount as a current liability.

12. CONDENSED FINANCIAL INFORMATION

The financial statements of the Authority include the accounts of RGRTA, and its ten (10) blended component units for which the Authority is financially accountable, as more completely described in Note 1, "Basis of Presentation". Condensed financial information for each of these entities as of March 31, 2018 is as follows:

Condensed statement of net position (in millions) As of March 31, 2018

| | RGRTA | RTS | Access |
|--|-----------------|-------------------|----------------|
| Assets: | | | |
| Current | \$ 44.8 | \$ 9.4 | \$ 0.5 |
| Capital | - | 131.1 | 3.5 |
| Other | 65.9 | - | 0.9 |
| Total assets | 110.7 | 140.5 | 4.9 |
| Deferred outflows of resources | 0.6 | 6.3 | 0.5 |
| Total assets and deferred outflows of resources | 111.3 | 146.8 | 5.4 |
| Liabilities: | | | |
| Current | 3.8 | 16.3 | 1.2 |
| Long-term | 1.5 | 61.7 | 0.4 |
| Total liabilities | 5.3 | 78.0 | 1.6 |
| Deferred inflows of resources | 0.1 | 8.6 | 1.1 |
| Total liabilities and deferred inflows of resources | 5.4 | 86.6 | 2.7 |
| Net Position: | | | |
| Invested in capital assets | - | 131.1 | 3.5 |
| Unrestricted | 105.9 | (70.9) | (0.8) |
| Total net position | \$ 105.9 | \$ 60.2 | \$ 2.7 |
| | Genesee | Livingston | Ontario |
| Assets: | | | |
| Current | \$ 0.1 | \$ 0.1 | \$ 0.1 |
| Capital | 0.7 | 3.0 | 2.8 |
| Other | - | - | - |
| Total assets | 0.8 | 3.1 | 2.9 |
| Liabilities: | | | |
| Current | 0.4 | 0.2 | 0.9 |
| Long-term | - | - | - |
| Total liabilities | 0.4 | 0.2 | 0.9 |
| Net Position: | | | |
| Invested in capital assets | 0.7 | 3.0 | 2.8 |
| Unrestricted | (0.3) | (0.1) | (0.8) |
| Total net position | \$ 0.4 | \$ 2.9 | \$ 2.0 |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of net position (in millions)
As of March 31, 2018

| | Orleans | Seneca | Wayne |
|--|----------------------|------------------------|----------------------|
| Assets: | | | |
| Current | \$ - | \$ - | \$ 0.5 |
| Capital | 2.1 | 0.6 | 2.3 |
| Other | - | - | - |
| Total assets | <u><u>2.1</u></u> | <u><u>0.6</u></u> | <u><u>2.8</u></u> |
| Liabilities: | | | |
| Current | 0.1 | 0.1 | 0.4 |
| Long-term | - | - | - |
| Total liabilities | <u><u>0.1</u></u> | <u><u>0.1</u></u> | <u><u>0.4</u></u> |
| Net Position: | | | |
| Invested in capital assets | 2.1 | 0.6 | 2.3 |
| Unrestricted | (0.1) | (0.1) | 0.1 |
| Total net position | <u><u>\$ 2.0</u></u> | <u><u>\$ 0.5</u></u> | <u><u>\$ 2.4</u></u> |
| | Wyoming | GTCS | |
| Assets: | | | |
| Current | \$ - | \$ 1.6 | |
| Capital | 0.8 | - | |
| Other | - | - | |
| Total assets | <u><u>0.8</u></u> | <u><u>1.6</u></u> | |
| Deferred outflows of resources | <u>-</u> | <u>0.2</u> | |
| Total assets and deferred outflows of resources | <u><u>0.8</u></u> | <u><u>1.8</u></u> | |
| Liabilities: | | | |
| Current | 0.2 | 1.5 | |
| Long-term | - | 0.2 | |
| Total liabilities | <u><u>0.2</u></u> | <u><u>1.7</u></u> | |
| Deferred inflows of resources | <u>-</u> | <u>0.1</u> | |
| Total liabilities and deferred inflows of resources | <u><u>0.2</u></u> | <u><u>1.8</u></u> | |
| Net Position: | | | |
| Invested in capital assets | 0.8 | - | |
| Unrestricted | (0.2) | (0.1) | |
| Total net position | <u><u>\$ 0.6</u></u> | <u><u>\$ (0.1)</u></u> | |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of revenues, expenses and changes in net position (in millions) For the year ended March 31, 2018

| | RGRTA | RTS | Access |
|--------------------------------------|------------------------|-----------------------|----------------------|
| Operating revenues | \$ 1.7 | \$ 25.4 | \$ 0.4 |
| Operating expenses | 3.1 | 78.8 | 7.9 |
| Depreciation | <u>-</u> | <u>14.8</u> | <u>0.8</u> |
| Operating income (loss) | <u>(1.4)</u> | <u>(68.2)</u> | <u>(8.3)</u> |
| Non-operating revenues (expenses) | 0.4 | 49.3 | 8.6 |
| Capital contributions | <u>-</u> | <u>6.8</u> | <u>0.8</u> |
| Change in net position | (1.0) | (12.1) | 1.1 |
| Beginning net position | 107.0 | 71.3 | 1.6 |
| Ending net position | <u>\$ 106.0</u> | <u>\$ 59.2</u> | <u>\$ 2.7</u> |

| | Genesee | Livingston | Ontario |
|-------------------------------------|----------------------|----------------------|----------------------|
| Operating revenues | \$ 0.4 | \$ 0.8 | \$ 0.4 |
| Operating expenses | 1.1 | 1.6 | 2.9 |
| Depreciation | <u>0.1</u> | <u>0.5</u> | <u>0.4</u> |
| Operating income (loss) | <u>(0.8)</u> | <u>(1.3)</u> | <u>(2.9)</u> |
| Nonoperating revenues (expenses) | 0.7 | 0.8 | 2.2 |
| Capital contributions | <u>0.7</u> | <u>1.1</u> | <u>2.5</u> |
| Change in net position | 0.6 | 0.6 | 1.8 |
| Beginning net position | (0.2) | 2.3 | 0.2 |
| Ending net position | <u>\$ 0.4</u> | <u>\$ 2.9</u> | <u>\$ 2.0</u> |

12. **CONDENSED FINANCIAL INFORMATION (Continued)**

Condensed statement of revenues, expenses and changes in net position (in millions)
For the year ended March 31, 2018

| | Orleans | Seneca | Wayne |
|--------------------------------|----------------------|----------------------|----------------------|
| Operating revenues | \$ 0.0 | \$ 0.1 | \$ 2.0 |
| Operating expenses | 0.7 | 0.8 | 2.3 |
| Depreciation | <u>0.1</u> | <u>0.2</u> | <u>0.5</u> |
| Operating income (loss) | <u>(0.8)</u> | <u>(0.9)</u> | <u>(0.8)</u> |
| Nonoperating revenues | | | |
| (expenses) | 0.7 | 0.7 | 0.4 |
| Capital contributions | <u>1.5</u> | <u>0.2</u> | <u>1.7</u> |
| Change in net position | 1.4 | 0.0 | 1.3 |
| Beginning net position | 0.6 | 0.5 | 1.1 |
| Ending net position | <u>\$ 2.0</u> | <u>\$ 0.5</u> | <u>\$ 2.4</u> |

| | Wyoming | GTCS |
|--------------------------------|----------------------|----------------------|
| Operating revenues | \$ 0.1 | \$ - |
| Operating expenses | 1.3 | 2.0 |
| Depreciation | <u>0.2</u> | <u>-</u> |
| Operating income (loss) | <u>(1.4)</u> | <u>(2.0)</u> |
| Nonoperating revenues | | |
| (expenses) | 1.2 | 2.7 |
| Capital contributions | <u>0.2</u> | <u>-</u> |
| Change in net position | (0.0) | 0.7 |
| Beginning net position | 0.7 | - |
| Ending net position | <u>\$ 0.7</u> | <u>\$ 0.7</u> |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of cash flows (in millions) For the year ended March 31, 2018

| | RGRTA | RTS | Access |
|--|----------------|-------------------|----------------|
| Cash provided by (used for): | | | |
| Operating activities | \$ (0.1) | \$ (50.1) | \$ (8.8) |
| Noncapital financing activities | (5.8) | 49.0 | 8.6 |
| Capital and related financing activities | (5.5) | 1.1 | 0.2 |
| Investing activities | <u>(1.0)</u> | <u>-</u> | <u>-</u> |
| Net change | 12.4 | - | - |
| Beginning cash and equivalents | <u>28.6</u> | <u>0.1</u> | <u>-</u> |
| Ending cash and equivalents | \$ 16.2 | \$ 0.1 | \$ - |
| | Genesee | Livingston | Ontario |
| Cash provided by (used for): | | | |
| Operating activities | \$ (0.7) | \$ (0.8) | \$ (2.1) |
| Noncapital financing activities | 0.7 | 0.8 | 2.2 |
| Capital and related financing activities | - | - | (0.1) |
| Investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change | - | - | - |
| Beginning cash and equivalents | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending cash and equivalents | \$ - | \$ - | \$ - |
| | Orleans | Seneca | Wayne |
| Cash provided by (used for): | | | |
| Operating activities | \$ (0.7) | \$ (0.7) | \$ (0.3) |
| Noncapital financing activities | 0.6 | 0.7 | 0.4 |
| Capital and related financing activities | 0.1 | - | (0.1) |
| Investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change | - | - | - |
| Beginning cash and equivalents | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending cash and equivalents | \$ - | \$ - | \$ - |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of cash flows (in millions) For the year ended March 31, 2018

| | Wyoming | GTCS |
|--|-------------|-------------|
| Cash provided by (used for): | | |
| Operating activities | \$ (0.9) | \$ (2.7) |
| Noncapital financing activities | 1.2 | 2.7 |
| Capital and related financing activities | (0.3) | - |
| Investing activities | - | - |
| Net change | - | - |
| Beginning cash and equivalents | - | - |
| Ending cash and equivalents | <u>\$ -</u> | <u>\$ -</u> |

Condensed financial information for each of these entities as of March 31, 2017 is as follows:

Condensed statement of net position (in millions) As of March 31, 2017

| | RGRTA | RTS | Access |
|--|-----------------|----------------|---------------|
| Assets: | | | |
| Current | \$ 45.3 | \$ 3.9 | \$ 0.1 |
| Capital | - | 139.0 | 3.5 |
| Other | 64.4 | - | 0.1 |
| Total assets | <u>109.7</u> | <u>142.9</u> | <u>3.7</u> |
| Deferred outflows of resources | <u>1.0</u> | <u>7.7</u> | <u>0.6</u> |
| Total assets and deferred outflows of resources | <u>110.7</u> | <u>150.6</u> | <u>4.3</u> |
| Liabilities: | | | |
| Current | 1.9 | 14.1 | 1.8 |
| Long-term | 1.7 | 58.0 | - |
| Total liabilities | <u>3.6</u> | <u>72.1</u> | <u>1.8</u> |
| Deferred inflows of resources | <u>0.1</u> | <u>7.2</u> | <u>0.9</u> |
| Total liabilities and deferred inflows of resources | <u>3.7</u> | <u>79.3</u> | <u>2.7</u> |
| Net Position: | | | |
| Invested in capital assets | - | 139.0 | 3.5 |
| Unrestricted | 107.0 | (67.7) | (1.9) |
| Total net position | <u>\$ 107.0</u> | <u>\$ 71.3</u> | <u>\$ 1.6</u> |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of net position (in millions)
As of March 31, 2017

| | Genesee | Livingston | Ontario |
|----------------------------|------------------------|----------------------|----------------------|
| Assets: | | | |
| Current | \$ 0.1 | \$ 0.1 | \$ 0.1 |
| Capital | 0.1 | 2.4 | 0.8 |
| Other | - | - | - |
| Total assets | <u><u>0.2</u></u> | <u><u>2.5</u></u> | <u><u>0.9</u></u> |
| Liabilities: | | | |
| Current | 0.4 | 0.2 | 0.7 |
| Long-term | - | - | - |
| Total liabilities | <u><u>0.4</u></u> | <u><u>0.2</u></u> | <u><u>0.7</u></u> |
| Net Position: | | | |
| Invested in capital assets | 0.1 | 2.4 | 0.8 |
| Unrestricted | (0.3) | (0.1) | (0.6) |
| Total net position | <u><u>\$ (0.2)</u></u> | <u><u>\$ 2.3</u></u> | <u><u>\$ 0.2</u></u> |

| | Orleans | Seneca | Wayne |
|----------------------------|----------------------|----------------------|----------------------|
| Assets: | | | |
| Current | \$ - | \$ - | \$ 0.4 |
| Capital | 0.7 | 0.6 | 1.1 |
| Other | - | - | - |
| Total assets | <u><u>0.7</u></u> | <u><u>0.6</u></u> | <u><u>1.5</u></u> |
| Liabilities: | | | |
| Current | 0.1 | 0.1 | 0.4 |
| Long-term | - | - | - |
| Total liabilities | <u><u>0.1</u></u> | <u><u>0.1</u></u> | <u><u>0.4</u></u> |
| Net Position: | | | |
| Invested in capital assets | 0.7 | 0.6 | 1.1 |
| Unrestricted | (0.1) | (0.1) | - |
| Total net position | <u><u>\$ 0.6</u></u> | <u><u>\$ 0.5</u></u> | <u><u>\$ 1.1</u></u> |

| | Wyoming | GTCS |
|----------------------------|----------------------|--------------------|
| Assets: | | |
| Current | \$ - | \$ 1.3 |
| Capital | 0.9 | - |
| Other | - | 0.4 |
| Total assets | <u><u>0.9</u></u> | <u><u>1.7</u></u> |
| Liabilities: | | |
| Current | 0.2 | 1.3 |
| Long-term | - | 0.4 |
| Total liabilities | <u><u>0.2</u></u> | <u><u>1.7</u></u> |
| Net Position: | | |
| Invested in capital assets | 0.9 | - |
| Unrestricted | (0.2) | - |
| Total net position | <u><u>\$ 0.7</u></u> | <u><u>\$ -</u></u> |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of revenues, expenses and changes in net position (in millions) For the year ended March 31, 2017

| | RGRTA | RTS | Access |
|--------------------------------------|------------------------|-----------------------|----------------------|
| Operating revenues | \$ 1.5 | \$ 26.3 | \$ 0.4 |
| Operating expenses | 3.2 | 79.6 | 7.4 |
| Depreciation | <u>-</u> | <u>15.0</u> | <u>0.9</u> |
| Operating income (loss) | <u>(1.7)</u> | <u>(68.3)</u> | <u>(7.9)</u> |
| Non-operating revenues (expenses) | 13.0 | 35.3 | 7.0 |
| Capital contributions | <u>-</u> | <u>15.6</u> | <u>0.5</u> |
| Change in net position | 11.3 | (17.4) | (0.4) |
| Beginning net position | 95.7 | 88.7 | 2.0 |
| Ending net position | <u>\$ 107.0</u> | <u>\$ 71.3</u> | <u>\$ 1.6</u> |

| | Genesee | Livingston | Ontario |
|-------------------------------------|------------------------|----------------------|----------------------|
| Operating revenues | \$ 0.4 | \$ 0.8 | \$ 0.4 |
| Operating expenses | 1.0 | 1.5 | 3.3 |
| Depreciation | <u>0.1</u> | <u>0.5</u> | <u>0.3</u> |
| Operating income (loss) | <u>(0.7)</u> | <u>(1.2)</u> | <u>(3.2)</u> |
| Nonoperating revenues (expenses) | 0.6 | 0.6 | 2.5 |
| Capital contributions | <u>-</u> | <u>0.7</u> | <u>0.3</u> |
| Change in net position | (0.1) | 0.1 | (0.4) |
| Beginning net position | (0.1) | 2.2 | 0.6 |
| Ending net position | <u>\$ (0.2)</u> | <u>\$ 2.3</u> | <u>\$ 0.2</u> |

12. **CONDENSED FINANCIAL INFORMATION (Continued)**

Condensed statement of revenues, expenses and changes in net position (in millions)
For the year ended March 31, 2017

| | Orleans | Seneca | Wayne |
|--------------------------------|----------------------|----------------------|----------------------|
| Operating revenues | \$ 0.1 | \$ 0.1 | \$ 1.9 |
| Operating expenses | 0.7 | 0.8 | 2.1 |
| Depreciation | <u>0.1</u> | <u>0.1</u> | <u>0.5</u> |
| Operating income (loss) | <u>(0.7)</u> | <u>(0.8)</u> | <u>(0.7)</u> |
| Nonoperating revenues | | | |
| (expenses) | 0.6 | 0.6 | 0.3 |
| Capital contributions | <u>0.4</u> | <u>0.2</u> | <u>0.6</u> |
| Change in net position | 0.3 | 0.0 | 0.2 |
| Beginning net position | <u>0.3</u> | <u>0.5</u> | <u>0.9</u> |
| Ending net position | <u>\$ 0.6</u> | <u>\$ 0.5</u> | <u>\$ 1.1</u> |

| | Wyoming | GTCS |
|--------------------------------|----------------------|---------------------|
| Operating revenues | \$ 0.1 | \$ - |
| Operating expenses | 1.0 | 1.7 |
| Depreciation | <u>0.2</u> | <u>-</u> |
| Operating income (loss) | <u>(1.1)</u> | <u>(1.7)</u> |
| Nonoperating revenues | 0.8 | 1.6 |
| (expenses) | | |
| Capital contributions | <u>0.5</u> | <u>-</u> |
| Change in net position | 0.2 | (0.1) |
| Beginning net position | <u>0.5</u> | <u>0.1</u> |
| Ending net position | <u>\$ 0.7</u> | <u>\$ -</u> |

12. CONDENSED FINANCIAL INFORMATION (Continued)

Condensed statement of cash flows (in millions)
For the year ended March 31, 2017

| | RGRTA | RTS | Access |
|--|-----------------------|----------------------|--------------------|
| Cash provided by (used for): | | | |
| Operating activities | \$ (2.8) | \$ (43.5) | \$ (5.7) |
| Noncapital financing activities | 12.9 | 47.4 | 7.1 |
| Capital and related financing activities | 1.7 | (3.9) | (1.4) |
| Investing activities | <u>0.9</u> | <u>-</u> | <u>-</u> |
| Net change | 12.7 | - | - |
| Beginning cash and equivalents | <u>15.9</u> | <u>0.1</u> | <u>-</u> |
| Ending cash and equivalents | \$ <u>28.6</u> | \$ <u>0.1</u> | \$ <u>-</u> |
| | Genesee | Livingston | Ontario |
| Cash provided by (used for): | | | |
| Operating activities | \$ (0.6) | \$ (0.6) | \$ (2.6) |
| Noncapital financing activities | 0.6 | 0.6 | 2.6 |
| Capital and related financing activities | - | (0.1) | - |
| Investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change | - | (0.1) | - |
| Beginning cash and equivalents | <u>-</u> | <u>0.1</u> | <u>-</u> |
| Ending cash and equivalents | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| | Orleans | Seneca | Wayne |
| Cash provided by (used for): | | | |
| Operating activities | \$ (0.3) | \$ (0.1) | \$ (0.2) |
| Noncapital financing activities | 0.6 | 0.7 | 0.3 |
| Capital and related financing activities | (0.3) | (0.6) | (0.1) |
| Investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change | - | - | - |
| Beginning cash and equivalents | <u>-</u> | <u>-</u> | <u>-</u> |
| Ending cash and equivalents | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |

12. **CONDENSED FINANCIAL INFORMATION (Continued)**

Condensed statement of cash flows (in millions)
For the year ended March 31, 2017

| | Wyoming | GTCS |
|--|--------------------|--------------------|
| Cash provided by (used for): | | |
| Operating activities | \$ (0.9) | \$ (1.7) |
| Noncapital financing activities | 0.9 | 1.7 |
| Capital and related financing activities | - | - |
| Investing activities | - | - |
| Net change | - | - |
| Beginning cash and equivalents | - | - |
| Ending cash and equivalents | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

**INDEPENDENT AUDITOR'S 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**

June 21, 2018

To the Commissioners of the
Rochester-Genesee Regional Transportation Authority:

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, the financial statements of Rochester-Genesee Regional Transportation Authority (the Authority), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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(Continued)

**INDEPENDENT AUDITOR'S 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***

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED MARCH 31, 2018

| <u>Actuarial Valuation</u> <u>Date</u> | <u>Actuarial</u> <u>Valuation of</u> <u>Plan Assets</u> | <u>Actuarial</u> <u>Accrued Liability</u> <u>(AAL)</u> | <u>Unfunded AAL</u> <u>(UAAL)</u> | <u>Funded</u> <u>Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a % of</u> <u>Covered Payroll</u> |
|---|---|--|--------------------------------------|-------------------------------|------------------------|---|
| 4/1/10 | \$ - | \$ 66,844,000 | \$ 66,844,000 | 0.0% | \$ 27,219,356 | 245.6% |
| 4/1/12 | \$ - | \$ 59,578,000 | \$ 59,578,000 | 0.0% | \$ 30,315,164 | 196.5% |
| 4/1/14 | \$ - | \$ 71,365,000 | \$ 71,365,000 | 0.0% | \$ 30,012,693 | 237.8% |
| 4/1/16 | \$ - | \$ 85,234,747 | \$ 85,234,747 | 0.0% | \$ 32,515,060 | 262.1% |

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|---|--|-------------|-------------|---|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| <u>NYSLERS - RGRTA:</u> | | | | | | | | | | |
| Proportion of the net pension liability | 0.0058151% | 0.0051048% | 0.0050097% | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Proportionate share of the net pension liability | \$ 546 | \$ 819 | \$ 169 | | | | | | | |
| Covered-employee payroll | \$ 1,621 | \$ 1,583 | \$ 1,502 | | | | | | | |
| | | | | | | | | | | |
| Proportionate share of the net pension liability liability as a percentage of its covered payroll | 33.7% | 51.7% | 11.3% | | | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 94.7% | 90.7% | 97.9% | | | | | | | |
| <u>NYSLERS - GTC:</u> | | | | | | | | | | |
| Proportion of the net pension liability | 0.0025293% | 0.0026778% | 0.0027777% | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Proportionate share of the net pension liability | \$ 238 | \$ 430 | \$ 94 | | | | | | | |
| Covered-employee payroll | \$ 484 | \$ 417 | \$ 460 | | | | | | | |
| | | | | | | | | | | |
| Proportionate share of the net pension liability liability as a percentage of its covered payroll | 49.2% | 103.1% | 20.4% | | | | | | | |
| Plan fiduciary net position as a percentage of total pension liability | 94.7% | 90.7% | 97.9% | | | | | | | |

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FOR ALL PENSION PLANS FOR THE YEAR ENDED MARCH 31,

| | Last 10 Fiscal Years (Dollar amounts displayed in thousands) | | | | | | | | | |
|--|--|-----------------|-----------------|---|------|------|------|------|------|------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| <u>RTS Union:</u> | | | | | | | | | | |
| Actuarially Determined Contribution | \$ 527 | \$ 467 | \$ 399 | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Actual Employer Contribution | <u>527</u> | <u>467</u> | <u>557</u> | | | | | | | |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (158)</u> | | | | | | | |
| Covered Payroll | \$ 25,531 | \$ 26,871 | \$ 22,786 | | | | | | | |
| Contributions as a % of Covered Payroll | 2.1% | 1.7% | 2.4% | | | | | | | |
| <u>RTS Non-Union:</u> | | | | | | | | | | |
| Actuarially Determined Contribution | \$ 936 | \$ 830 | \$ 508 | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Actual Employer Contribution | <u>936</u> | <u>1,338</u> | <u>-</u> | | | | | | | |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ (508)</u> | <u>\$ 508</u> | | | | | | | |
| Covered Payroll | \$ 7,149 | \$ 6,100 | \$ 6,159 | | | | | | | |
| Contributions as a % of Covered Payroll | 13.1% | 21.9% | 0.0% | | | | | | | |
| <u>Lift Line Union:</u> | | | | | | | | | | |
| Actuarially Determined Contribution | \$ 52 | \$ 58 | \$ - | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Actual Employer Contribution | <u>95</u> | <u>82</u> | <u>72</u> | | | | | | | |
| Contribution Deficiency (Excess) | <u>\$ (43)</u> | <u>\$ (24)</u> | <u>\$ (72)</u> | | | | | | | |
| Covered Payroll | \$ 2,287 | \$ 2,295 | \$ 2,296 | | | | | | | |
| Contributions as a % of Covered Payroll | 4.2% | 3.6% | 3.1% | | | | | | | |
| <u>Lift Line and Regional Entities Non-Union:</u> | | | | | | | | | | |
| Actuarially Determined Contribution | \$ 135 | \$ 141 | \$ 128 | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Actual Employer Contribution | <u>135</u> | <u>141</u> | <u>128</u> | | | | | | | |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | | | | |
| Covered Payroll | \$ 2,287 | \$ 2,218 | \$ 2,080 | | | | | | | |
| Contributions as a % of Covered Payroll | 5.9% | 6.4% | 6.2% | | | | | | | |
| <u>NYSLEERS - RGRTA:</u> | | | | | | | | | | |
| Actuarially Determined Contribution | \$ 270 | \$ 236 | \$ 232 | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Actual Employer Contribution | <u>270</u> | <u>236</u> | <u>232</u> | | | | | | | |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | | | | |
| Covered Payroll | \$ 1,621 | \$ 1,583 | \$ 1,502 | | | | | | | |
| Contributions as a % of Covered Payroll | 16.7% | 14.9% | 15.4% | | | | | | | |
| <u>NYSLEERS - GTC:</u> | | | | | | | | | | |
| Actuarially Determined Contribution | \$ 63 | \$ 73 | \$ 85 | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. | | | | | | |
| Actual Employer Contribution | <u>63</u> | <u>73</u> | <u>85</u> | | | | | | | |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | | | | |
| Covered Payroll | \$ 484 | \$ 417 | \$ 460 | | | | | | | |
| Contributions as a % of Covered Payroll | 13.0% | 17.5% | 18.5% | | | | | | | |

Combining Financial Information

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ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

COMBINING SCHEDULE OF NET POSITION
MARCH 31, 2018

| | RGRTA | RTS | Access | Genesee | Livingston | Ontario | Orleans | Seneca | Wayne | Wyoming | GTCS | Eliminations | Total |
|--|----------------|----------------|--------------|------------|--------------|--------------|--------------|------------|--------------|------------|--------------|-----------------|----------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | | | | | | |
| Cash and equivalents | \$ 16,201,359 | \$ 49,884 | \$ 3,059 | \$ 8,698 | \$ 40,066 | \$ 4,429 | \$ 1,223 | \$ 715 | \$ 3,080 | \$ 945 | \$ 38,554 | \$ - | \$ 16,352,012 |
| Current portion of investments | 13,424,562 | - | - | - | - | - | - | - | - | - | - | - | 13,424,562 |
| Receivables: | | | | | | | | | | | | | |
| Trade, net | 4,798,445 | 3,077,927 | 18,707 | 66,024 | 112,248 | 28,150 | 1,360 | 7,232 | 491,030 | 6,638 | 1,293,909 | - | 9,901,670 |
| Mortgage tax | 649,964 | - | - | - | - | - | - | - | - | - | - | - | 649,964 |
| Capital grants | 6,614,623 | - | - | - | - | - | - | - | - | - | - | - | 6,614,623 |
| Operating assistance | 3,029,533 | 4,386,795 | 345,023 | - | - | - | - | - | - | - | - | - | 7,761,351 |
| Interest | 79,684 | - | - | - | - | - | - | - | - | - | - | - | 79,684 |
| Materials and supplies inventory, net | - | 285,569 | 111,608 | - | - | 48,277 | - | - | - | - | - | - | 445,454 |
| Prepaid expenses and other current assets | - | 564,666 | 48,744 | 1,234 | 3,433 | 16,266 | 617 | 925 | 4,319 | 1,542 | - | - | 641,746 |
| Inter-entify receivable | - | 1,027,913 | 55 | - | - | - | - | - | - | - | 226,890 | (1,254,858) | - |
| Total current assets | 44,798,170 | 9,392,754 | 527,196 | 75,956 | 155,747 | 97,122 | 3,200 | 8,872 | 498,429 | 9,125 | 1,559,353 | (1,254,858) | 55,871,066 |
| NONCURRENT ASSETS: | | | | | | | | | | | | | |
| Capital assets, net | - | 131,085,357 | 3,459,269 | 702,496 | 3,032,801 | 2,819,520 | 2,091,841 | 648,348 | 2,331,689 | 838,225 | 3,507 | - | 147,013,053 |
| Investments, net of current portion | 13,533,281 | - | - | - | - | - | - | - | - | - | - | - | 13,533,281 |
| Net pension asset | - | - | 930,291 | - | - | - | - | - | - | - | - | - | 930,291 |
| Investments in consolidated component unit entities | 52,341,695 | - | - | - | - | - | - | - | - | - | - | (52,341,695) | - |
| Total noncurrent assets | 65,874,976 | 131,085,357 | 4,389,560 | 702,496 | 3,032,801 | 2,819,520 | 2,091,841 | 648,348 | 2,331,689 | 838,225 | 3,507 | (52,341,695) | 161,476,625 |
| TOTAL ASSETS | 110,673,146 | 140,478,111 | 4,916,756 | 778,452 | 3,188,548 | 2,916,642 | 2,095,041 | 657,220 | 2,830,118 | 847,350 | 1,562,860 | (53,596,553) | 217,347,691 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | | | | | | | | | | |
| Deferred outflows related to pensions | 631,092 | 6,280,894 | 487,921 | - | - | - | - | - | - | - | 197,415 | - | 7,597,322 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 111,304,238 | \$ 146,759,005 | \$ 5,404,677 | \$ 778,452 | \$ 3,188,548 | \$ 2,916,642 | \$ 2,095,041 | \$ 657,220 | \$ 2,830,118 | \$ 847,350 | \$ 1,760,275 | \$ (53,596,553) | \$ 224,945,013 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | | | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | | | | | | |
| Accounts payable | \$ 3,375,887 | \$ 3,814,443 | \$ 183,667 | \$ 91,179 | \$ 42,599 | \$ 121,155 | \$ 42,560 | \$ 19,381 | \$ 75,633 | \$ 40,212 | \$ 367,513 | \$ - | \$ 8,174,229 |
| Accrued wages, vacation, pension and payroll taxes | 408,119 | 3,958,487 | 366,893 | 67,183 | 160,994 | 188,188 | 53,742 | 69,048 | 263,649 | 99,253 | 97,412 | - | 5,732,968 |
| Current portion of soil remediation liability | - | 314,050 | - | - | - | - | - | - | - | - | - | - | 314,050 |
| Reserve for litigated and unlitigated claims | - | 2,968,689 | 53,624 | 37,325 | - | 471,338 | - | - | - | - | - | - | 3,530,976 |
| Workers' compensation reserve | 3,687 | 5,187,972 | 600,926 | 197,780 | 28,609 | 41,198 | 5,267 | - | 13,693 | 53,704 | 17,164 | - | 6,150,000 |
| Inter-entify payable | 226,890 | - | - | - | - | - | - | - | - | - | 1,027,968 | (1,254,858) | - |
| Total current liabilities | 4,014,583 | 16,243,641 | 1,205,110 | 393,467 | 232,202 | 821,879 | 101,569 | 88,429 | 352,975 | 193,169 | 1,510,057 | (1,254,858) | 23,902,223 |
| LONG-TERM LIABILITIES: | | | | | | | | | | | | | |
| Net pension liability | 546,397 | 5,750,541 | 420,038 | - | - | - | - | - | - | - | 237,663 | - | 6,954,639 |
| Other postemployment benefits | 947,503 | 55,367,065 | - | - | - | - | - | - | - | - | - | - | 56,314,568 |
| Soil remediation liability, net of current portion | - | 614,750 | - | - | - | - | - | - | - | - | - | - | 614,750 |
| Total long-term liabilities | 1,493,900 | 61,732,356 | 420,038 | - | - | - | - | - | - | - | 237,663 | - | 63,883,957 |
| TOTAL LIABILITIES | 5,508,483 | 77,975,997 | 1,625,148 | 393,467 | 232,202 | 821,879 | 101,569 | 88,429 | 352,975 | 193,169 | 1,747,720 | (1,254,858) | 87,786,180 |
| DEFERRED INFLOWS OF RESOURCES: | | | | | | | | | | | | | |
| Deferred revenue | - | 1,270,002 | - | 13,293 | 8,796 | 45,839 | 7,526 | 6,255 | 9,578 | 4,985 | - | - | 1,366,274 |
| Deferred inflows related to pensions | 82,975 | 7,285,435 | 1,109,982 | - | - | - | - | - | - | - | 99,655 | - | 8,578,047 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 82,975 | 8,555,437 | 1,109,982 | 13,293 | 8,796 | 45,839 | 7,526 | 6,255 | 9,578 | 4,985 | 99,655 | - | 9,944,321 |
| NET POSITION: | | | | | | | | | | | | | |
| Net investment in capital assets | - | 131,085,357 | 3,459,269 | 702,496 | 3,032,801 | 2,819,520 | 2,091,841 | 648,348 | 2,331,689 | 838,225 | 3,507 | - | 147,013,053 |
| Unrestricted | 105,712,780 | (70,857,786) | (789,722) | (330,804) | (85,251) | (770,596) | (105,895) | (85,812) | 135,876 | (189,029) | (90,607) | (52,341,695) | (19,798,541) |
| Total net position | 105,712,780 | 60,227,571 | 2,669,547 | 371,692 | 2,947,550 | 2,048,924 | 1,985,946 | 562,536 | 2,467,565 | 649,196 | (87,100) | (52,341,695) | 127,214,512 |
| TOTAL LIABILITIES AND NET POSITION | \$ 111,304,238 | \$ 146,759,005 | \$ 5,404,677 | \$ 778,452 | \$ 3,188,548 | \$ 2,916,642 | \$ 2,095,041 | \$ 657,220 | \$ 2,830,118 | \$ 847,350 | \$ 1,760,275 | \$ (53,596,553) | \$ 224,945,013 |

The accompanying notes are an integral part of these statements.

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

**COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2018**

| | RGRTA | RTS | Access | Genesee | Livingston | Ontario | Orleans | Seneca | Wayne | Wyoming | GTCS | Eliminations | Total |
|---|----------------|---------------|--------------|------------|--------------|--------------|--------------|------------|--------------|-------------|-------------|-----------------|----------------|
| OPERATING REVENUE: | | | | | | | | | | | | | |
| Customer fares | \$ - | \$ 9,670,300 | \$ 410,490 | \$ 29,997 | \$ 24,301 | \$ 203,844 | \$ 36,834 | \$ 67,193 | \$ 50,500 | \$ 26,236 | \$ - | \$ - | \$ 10,519,695 |
| Special transit fares | - | 12,212,641 | - | 376,810 | 743,026 | 131,475 | 6,167 | 49,195 | 1,909,910 | 55,369 | - | - | 15,484,593 |
| Reimbursement and recovery | 560 | 786,496 | 7,900 | 132 | 255 | 333 | 187 | 126 | 147 | 287 | - | - | 796,423 |
| Other | 1,670,934 | 2,684,888 | 415 | 36,761 | 34,574 | 97,483 | - | 27 | 26 | 1,197 | 125 | (3,824,025) | 702,405 |
| Total operating revenue | 1,671,494 | 25,354,325 | 418,805 | 443,700 | 802,156 | 433,135 | 43,188 | 116,541 | 1,960,583 | 83,089 | 125 | (3,824,025) | 27,503,116 |
| OPERATING EXPENSES AND DEPRECIATION: | | | | | | | | | | | | | |
| Operating expenses - | | | | | | | | | | | | | |
| Salaries and wages | 1,642,555 | 35,996,695 | 4,437,859 | 496,099 | 740,783 | 1,440,006 | 295,473 | 342,346 | 1,224,624 | 506,291 | 491,558 | - | 47,614,289 |
| Employee benefits | 721,117 | 24,046,234 | 2,043,551 | 251,715 | 249,278 | 447,747 | 65,778 | 106,852 | 295,476 | 147,317 | 259,987 | - | 28,635,052 |
| Inter-entity cost allocations | 394,183 | 1,208,096 | 669,638 | 204,162 | 201,608 | 235,993 | 237,636 | 204,162 | 237,636 | 237,815 | 24,541 | (3,824,025) | - |
| Materials and supplies | 4,196 | 7,929,905 | 743,080 | 68,576 | 182,331 | 397,075 | 55,229 | 77,096 | 335,122 | 115,519 | 3,115 | - | 9,911,244 |
| Services | 23,060 | 5,956,948 | 144,441 | 68,136 | 98,456 | 125,887 | 12,527 | 48,608 | 139,059 | 57,731 | 1,193,521 | - | 7,868,374 |
| Utilities | - | 766,474 | 49,571 | 2,402 | 14,612 | 26,288 | 5,930 | 2,685 | 2,741 | 5,132 | 4,132 | - | 879,967 |
| Litigated and unlitigated claims | 2,380 | 2,014,052 | (235,878) | 17,475 | 40,335 | 201,933 | 9,053 | 13,471 | 55,621 | 20,420 | 1,000 | - | 2,139,862 |
| Other | 280,037 | 899,451 | 46,912 | 23,783 | 29,930 | 115,414 | 23,581 | 16,470 | 21,396 | 217,192 | 25,896 | - | 1,700,062 |
| Total operating expenses | 3,067,528 | 78,817,855 | 7,899,174 | 1,132,348 | 1,561,916 | 2,955,958 | 703,564 | 845,164 | 2,278,201 | 1,307,417 | 2,003,750 | (3,824,025) | 98,748,850 |
| Depreciation - | | | | | | | | | | | | | |
| Locally funded | - | 1,576,586 | 83,333 | 13,742 | 49,488 | 43,582 | 13,463 | 17,388 | 48,831 | 22,421 | - | - | 1,868,834 |
| Grant funded | - | 13,181,035 | 744,121 | 106,460 | 446,859 | 371,103 | 100,143 | 125,695 | 456,949 | 193,628 | 2,336 | - | 15,728,329 |
| Total depreciation | - | 14,757,621 | 827,454 | 120,202 | 496,347 | 414,685 | 113,606 | 143,083 | 505,780 | 216,049 | 2,336 | - | 17,597,163 |
| Total operating expenses and depreciation | 3,067,528 | 93,575,476 | 8,726,628 | 1,252,550 | 2,058,263 | 3,370,643 | 817,170 | 988,247 | 2,783,981 | 1,523,466 | 2,006,086 | (3,824,025) | 116,346,013 |
| LOSS FROM OPERATIONS | (1,396,034) | (68,221,151) | (8,307,823) | (808,850) | (1,256,107) | (2,937,508) | (773,982) | (871,706) | (823,398) | (1,440,377) | (2,005,961) | - | (88,842,897) |
| NONOPERATING INCOME (EXPENSE): | | | | | | | | | | | | | |
| External operating assistance subsidies - | | | | | | | | | | | | | |
| Federal | 298,042 | 8,210,106 | 638,576 | 114,000 | 130,000 | 366,000 | 75,000 | 70,000 | 246,414 | 117,000 | 1,942,315 | - | 12,207,453 |
| State | - | 39,149,810 | 1,968,486 | 53,169 | 35,186 | 183,500 | 30,103 | 25,021 | 38,313 | 19,938 | - | - | 41,503,526 |
| Local governments | - | 3,524,414 | - | 53,169 | 35,186 | 183,356 | 30,103 | 25,021 | 38,313 | 19,936 | - | - | 3,909,498 |
| Investment income, net | 205,740 | - | - | - | - | - | 2 | - | - | - | - | - | 205,742 |
| Mortgage recording tax | 9,542,637 | - | - | - | - | - | - | - | - | - | - | - | 9,542,637 |
| Change in soil remediation liability | - | 302,476 | - | - | - | - | - | - | - | - | - | - | 302,476 |
| Gain on disposal of capital assets, net | - | 24,442 | 2,704 | 1,341 | 1,102 | 7,734 | - | 511 | 1,213 | 904 | - | - | 39,951 |
| Authority subsidies | (8,386,855) | (1,893,132) | 5,070,427 | 480,712 | 607,774 | 1,825,817 | 538,631 | 625,459 | 42,197 | 1,088,970 | - | - | - |
| Write-off of inter-entity accounts | (1,518,276) | 1,011,664 | 883,409 | (40,783) | 655 | (334,191) | (23,230) | (17,153) | 81,813 | (43,908) | - | - | - |
| Total nonoperating income | 141,288 | 50,329,780 | 8,563,602 | 661,608 | 809,903 | 2,232,216 | 650,609 | 728,859 | 448,263 | 1,202,840 | 1,942,315 | - | 67,711,283 |
| CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS | (1,254,746) | (17,891,371) | 255,779 | (147,242) | (446,204) | (705,292) | (123,373) | (142,847) | (375,135) | (237,537) | (63,646) | - | (21,131,614) |
| CAPITAL CONTRIBUTIONS: | | | | | | | | | | | | | |
| Federal | - | 2,467,683 | 660,958 | 556,483 | 876,353 | 2,035,613 | 1,223,637 | 123,058 | 1,370,543 | 149,510 | - | - | 9,463,838 |
| State | - | 3,569,180 | 82,620 | 69,560 | 109,544 | 254,452 | 152,954 | 15,382 | 171,318 | 18,689 | - | - | 4,443,699 |
| Authority | - | 809,354 | 82,620 | 71,809 | 109,544 | 254,451 | 152,954 | 15,382 | 171,318 | 18,689 | - | (1,686,121) | - |
| Total capital contributions | - | 6,846,217 | 826,198 | 697,852 | 1,095,441 | 2,544,516 | 1,529,545 | 153,822 | 1,713,179 | 186,888 | - | (1,686,121) | 13,907,537 |
| CHANGE IN NET POSITION | (1,254,746) | (11,045,154) | 1,081,977 | 550,610 | 649,237 | 1,839,224 | 1,406,172 | 10,975 | 1,338,044 | (50,649) | (63,646) | (1,686,121) | (7,224,077) |
| NET POSITION - beginning of year | 106,967,526 | 71,272,725 | 1,587,570 | (178,918) | 2,298,313 | 209,700 | 579,774 | 551,561 | 1,129,521 | 699,845 | (23,454) | (50,655,574) | 134,438,589 |
| NET POSITION - end of year | \$ 105,712,780 | \$ 60,227,571 | \$ 2,669,547 | \$ 371,692 | \$ 2,947,550 | \$ 2,048,924 | \$ 1,985,946 | \$ 562,536 | \$ 2,467,565 | \$ 649,196 | \$ (87,100) | \$ (52,341,695) | \$ 127,214,512 |

The accompanying notes are an integral part of these statements.

