

**JOINT COMMITTEE MEETING OF THE
AUDIT COMMITTEE AND
THE FINANCE AND INVESTEMENT COMMITTEE
MINUTES**

June 23, 2016

10:00 AM

RGRTA Board Room

1372 East Main Street, Rochester NY

Audit Committee Members Present:

Michael Jankowski, Commissioner/Committee Chair

Jim Redmond, Board Chairman

Finance Committee Members Present:

Geoff Astles, Commissioner

Henry Smith, Jr., Commissioner

Barbara Jones, Commissioner

Others Present:

Don Jeffries, Commissioner

Kelli O'Connor, Commissioner

Bill Carpenter, RGRTA CEO

Scott Adair, RGRTA CFO

Christopher Dobson, RGRTA VP of Finance

Mike Burns, RGRTA Director of Accounting and Payroll

Greg Evans, Bonadio

Michelle Pyzik, Bonadio

The meeting was called to Order by Commissioner Jankowski at 10:05am.

Scott Adair reviewed the agenda with the committees:

- Financial Statement Presentation
- The Bonadio Group
 - Independent Auditor's Report
 - Required Communications
 - Agreed Upon Procedures-Variable Pay Program
 - Investment Compliance Report
- Internal Borrowing (RGRTA 29-2016)
- PARIS Report (RGRTA 32-2016)

The financial statements were presented and reviewed by Mike Burns to the Committee. Highlights of the financial statements were provided including the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position and the Statement of Cash Flows. A review of the footnotes showed the addition of Note #7 –Pensions to reflect the adoption of GASB 68 and 71 from the prior year.

- *In response to a question from Bill Carpenter, CEO, on what GASB 68 is. Mike Burns, Director of Accounting and Payroll, responded that it is bringing pension*

- liability onto the balance sheet and recording an annual expense associated with that.*
- *In response to a question from Commissioner Jankowski on when we will start to see an improvement in the actuarial number. Scott Adair, CFO, responded in the next three to five years. Commissioner Jankowski added that in ten years from now there will probably be significant reductions in that liability. Scott Adair, CFO, responded that is the plan at this point.*

Scott then turned it over to Greg Evans of Bonadio to discuss the audit.

- *In response to a question from Commissioner Jankowski on the audit of the variable pay plan and how the management letter stated that Bonadio was not engaged to and did not conduct an audit, the objective of which would have been the expression of an opinion on the administration of the variable pay plan of the Authority. Commissioner Jankowski asked for clarification on what that meant. Greg Evans, Bonadio, responded at the beginning of the engagement we agreed upon procedures and to perform five procedures and we say yes or no to those particular procedures.*

On motion of Commissioner Smith, and a second from Commissioner Jones the meeting moved to Executive Session.

Commissioner Jankowski stated that the meeting came back into open session. He then turned it over to Scott Adair, CFO to go over a few resolutions.

On motion of Commissioner Jones, with a second by Commissioner Smith was made to accept the financial statements and reports as they were presented and recommended to the full Board for approval. Both Committees agreed with the recommendation to approve the reports as presented for to the Full Board.

Commissioner Jankowski stated that he would also like an October Audit Committee Meeting.

With no further matters to discuss Commissioner Jankowski adjourned the meeting at 11:07am. All were in favor.

Agenda

- **Financial Statement Presentation**
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Financial Statement Overview

For The Year Ended March 31, 2016

June 23, 2016





Condensed Schedule of Net Position (in millions)

	2016	2015	2014
Assets:			
Current and other	\$ 68.7	\$ 61.7	\$ 60.4
Capital, net of accumulated depreciation	148.3	153.7	156.4
Total assets	217.0	215.4	216.8
Deferred outflows	11.5	1.2	-
Liabilities:			
Current	\$25.5	\$17.4	\$15.7
Long term	59.6	41.5	35.3
Total liabilities	85.1	59.2	51.0
Deferred inflows	0.6	0.3	0.4
Net position:			
Net investment in capital assets	148.3	153.6	156.3
Unrestricted	(5.5)	3.8	9.1
Total net position	\$142.8	\$157.4	\$165.4



Reconciliation of Net Position (000s omitted)

		2016
Net position, unrestricted		\$ (5,529)
Add:		
OPEB liability		45,523
Net pension liability		1,965
Less:		
GTCS unrestricted net position		(64)
Government securities		(11,384)
Self insurance investments		(1,118)
Capital reserve investments		2,507
OPEB reserve investments		(4,040)
Para transit investments		(890)
Prepaid expense		(553)
Inventory		(538)
Available Unrestricted Net Assets	3	\$25,879



Condensed Schedule of Revenue, Expense and Change in Net Position (000s omitted)

	2016	2015	2014
Total operating revenue	\$29.4	\$30.0	\$30.4
Operating expenses:			
Salaries and benefits	74.9	69.9	64.9
Non-personnel	24.3	23.5	21.5
Total operating expenses	99.2	93.4	86.4
Depreciation	17.4	16.6	14.0
Loss from operations	(87.2)	(80.0)	(70.0)
Non-operating income	7.8	8.1	6.7
External operating assistance	52.0	51.5	46.5
Capital contribution	13.0	11.7	52.5
Change in net position	(14.4)	(8.7)	35.7
Special item – Transfer of Ontario County operations	-	0.7	-
Net position, beginning	157.4	165.4	129.7
Restatement of beginning net position (GASB 68)	(0.2)	-	-
Net position, end	\$142.8	\$157.4	\$165.4



Reconciliation of Change in Net Position (000s omitted)

	2016
Change in net position	\$ (14,375)
Add:	
Depreciation grant funded	15,604
Unrealized losses/(gains) or changes in accounting estimates	12,330
Change in net position of GTCS	15
Less – Capital Contributions	(13,024)
Net income from operations and subsidies	\$ 550

Condensed Schedule of Cash Flows (in millions)

	2016	2015
Net cash flow from operations	\$(62.0)	\$(56.5)
Net cash flow from noncapital and financing	59.0	49.9
Net cash flow from capital and related financing	4.5	1.0
Net cash flow from investing	2.2	2.4
Change in cash and short-term investments	\$3.7	\$(3.2)
Cash and short-term investments, beginning	12.5	15.7
Cash and short-term investments, end	\$16.2	\$12.5

Notes to the Financial Statements

- Changes to Prior Year Notes
 - Additions
 - Note #7 – Pensions (to reflect adoption of GASB 68 and 71)
 - Deletions
 - None

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The logo for RGRTA (Rochester – Genesee Regional Transportation Authority) features the letters "RGRTA" in a bold, white, sans-serif font. The text is set against a dark blue rectangular background with rounded corners. A thin green horizontal line runs along the bottom edge of the blue rectangle.

RGRTA

THE BONADIO GROUP
CPAs, Consultants & More

A decorative graphic consisting of several overlapping, wavy lines in shades of blue, orange, and white, creating a sense of movement and flow across the top half of the slide.

**Rochester – Genesee Regional
Transportation Authority**

**Audit Committee Meeting
June 23, 2016**

Part A

Audit of the Financial Statements as of and for the year ended March 31, 2016

Required Communications

- We anticipate issuing an unmodified opinion on the March 31, 2016 financial statements of the Authority and its component units.
- In fiscal 2016, the Authority's defined benefit pension plans adopted accounting pronouncement Government Accounting Standard No. 68, "Accounting and Financial Reporting for Pensions"- an amendment of GASB Statement No. 27 and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Transition Date*". Adoption of these new pronouncements led to a restatement of beginning net position.

Required Communications (Continued)

RGRTA

- **No other new accounting policies were adopted and the application of existing policies was not changed during 2016.**
- **There were no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus and all significant transactions have been recognized in the financial statements in the proper period.**

Required Communications (Continued)



- The particularly sensitive accounting estimates contained in the financial statements are:
 - The Authority has recorded a liability for other postemployment benefits of approximately \$45.5 million.
 - The Authority has reserved approximately \$3.4 million for workers' compensation and \$7.1 million for general liability claims.
 - The Authority has recorded a liability for soil remediation of approximately \$1.4 million.
 - We have evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Required Communications (Continued)



- There were no significant difficulties encountered in performing the audit and dealing with management.
- During our audit of the financial statements, we did not identify any adjustments that were made to the financial statements; however, we identified a passed audit adjustment.
 - Management passed on recording a current year adjustment of \$227,000 to the accrued employees' paid-time off payout per their policy. In the prior year, we proposed and management passed on an adjustment of \$231,000 for the same purpose.
 - The overall impact of these passed audit adjustments to unrestricted net position in the current year would have been an increase of approximately \$4,000.
- There were no disagreements with management.

Required Communications (Continued)



- We are not aware that management consulted with other accountants.
- Our discussions with management were in the normal course of our professional relationship and our responses were not a condition of our retention.

Communication of Matters Related to Internal Control Over Financial Reporting and Other Matters



- **We did not identify any deficiencies in internal control that we consider to be material weaknesses.**

Part B

**Audit of the Schedule of Expenditures of
Federal Awards and on Compliance as of
and for the year ended March 31, 2016**

Yellow Book/Uniform Guidance Audit

We anticipate issuing reports as follows:

- No significant deficiencies related to the audit of the financial statements were reported in the 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*.
- No instances of noncompliance material to the financial statements of the Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- No significant deficiencies related to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
- The auditor's report on compliance for the major federal award programs for the Authority expressed an unmodified opinion.

Schedule of Findings and Questioned Costs



- There were no audit findings relative to the major federal award programs for the Authority.
- The programs tested as major programs were:
 - Federal Transit Cluster:
 - CFDA No. 20.507 - Federal Transit_Formula Grants
 - CFDA No. 20.500 - Federal Transit_Capital Improvement Grants
- The threshold for distinguishing Types A and B programs was \$750,000.
- The Authority was determined to be a low-risk auditee.

Part C

Variable Pay Compensation Program Agreed-Upon Procedures

Summary of Variable Pay Plan Agreed-Upon Procedures Engagements

- Performed in accordance with attestation standards established by the AICPA.
- Variable Pay Plan performance reviewed from April 1, 2015 through March 31, 2016.
- Reviewed Variable Pay Plan description from the 2015 – 2016 Comprehensive Plan.
- Obtained an understanding of the internal administration of the Variable Pay Plan through reading Plan documents and discussions with the Vice President of People and Director of Analytics.

Summary of Variable Pay Plan Agreed-Upon Procedures Engagements (Continued)



- **Selected twenty participants from all entities to test proper communication and approval of variable pay payments.**
- **For the twenty selections, test supporting documentation to determine whether the variable pay payment was made in a timely manner.**
- **For the twenty selections, test supporting documentation to determine whether the Authority complied with specific relevant Federal and State requirements relating to the taxation of each individual payment.**

Summary of Variable Pay Plan Agreed-Upon Procedures Engagements (Continued)



- For two employees obtained the performance variable pay support file approved by the employee's supervisor. We tested that each metric used to determine the performance incentive scores was measurable and procedures were in place to track performance against the goals through obtaining the descriptions of the performance incentive goals for those selected employees.

Summary of Variable Pay Plan Agreed-Upon Procedures Engagements (Continued)



- **No exceptions were noted as a result of the procedures we performed.**

Part D

Investment Compliance Report

Report on Compliance with Laws and Regulations Related to Investment Guidelines for Public Authorities

- Performed in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.
- We noted no items that caused us to believe the Authority failed to comply with the Authority's own investment policies, or the applicable laws, regulations, and the State Comptroller's Investment Guidelines.

GASB Update

- GASB Statement No. 72, “Fair Measurement and Application”
 - Effective for the Authority’s fiscal year ending March 31, 2017
- GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”
 - Effective for the Authority’s fiscal year ending March 31, 2019
- GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”
 - Effective for the Authority’s fiscal year ending March 31, 2019

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