

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

**Financial Statements
as of March 31, 2013
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 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 9
BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MARCH 31, 2013:	
Statements of Net Position	10
Statements of Revenue, Expenses and Changes in Net Position	11
Statements of Cash Flows	12 - 13
Notes to the Financial Statements	14 - 42
SUPPLEMENTARY INFORMATION:	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	43 - 45
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>	46 - 47
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE	48 - 49
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51 - 52

INDEPENDENT AUDITOR'S REPORT

June 26, 2013

To the Commissioners of
Rochester-Genesee Regional Transportation Authority:

Report on Financial Statements

We have audited the accompanying financial statements of the Rochester-Genesee Regional Transportation Authority and each of its blended component units (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 year ended March 31, 2013, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. 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 opinions.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2013, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Authority's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**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 YEAR ENDED MARCH 31, 2013**

This Management's Discussion and Analysis (MD&A) of the Rochester-Genesee Regional Transportation Authority (Authority) financial statements provides an overview of the Authority's financial activity for the year ended March 31, 2013. 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 statement of net position provides a snapshot of the Authority's financial condition at March 31, 2013. The statement of revenues, expenses, and changes in net position report the results of the Authority's operations and activities for year ended March 31, 2013. Finally, the statement 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 year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

- The 2013 fiscal year ended with an increase to the net position of approximately \$19.6 million as compared to an increase of \$9.7 million for the previous year. The primary cause of this increase is the additional federal and state capital contributions received by the Authority as part of the building of a new downtown transit center and campus wide improvement project.
- The Authority's single most significant asset classification is capital assets. The Authority reports capital assets, net of depreciation, totaling approximately \$112.1 million for the fiscal year ended 2013 and \$87.3 million for the fiscal year ended 2012. The Authority has undertaken the construction of a downtown transit center in between Clinton Avenue and St. Paul Boulevard in the City of Rochester adding capital assets of approximately \$12.9 million during fiscal year 2013 and building and improving the Authority's main campus located on Main Street in the City of Rochester adding capital assets of approximately \$6.5 million during fiscal 2013.
- The Authority's single most significant liability classification is Other Postemployment Benefits (OPEB). The Authority reports the OPEB liability in response to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45. The Authority's Net OPEB obligation was \$29.3 million and \$24.8 million for the fiscal years ended 2013 and 2012, respectively. The Authority in compliance with GASB Statement 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 the fiscal year 2012 by approximately \$5.1 million. The Authority's unrestricted net position was \$17.7 million and \$22.8 million for the fiscal years ended 2013 and 2012, respectively.

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;

	2013	2012
Assets:		
Current and other	\$ 69.6	\$ 65.8
Capital, net of accumulated depreciation	112.1	87.3
Total assets	181.7	153.1
Liabilities:		
Current	21.8	17.8
Long Term	30.0	25.2
Total liabilities	51.8	43.0
Deferred inflows	0.2	0.0
Net Position:		
Net investment in capital assets	112.0	87.3
Unrestricted	17.7	22.8
Total net position	\$ 129.7	\$ 110.1

The Authority's condensed statement of net position for the years March 31, 2013 and 2012 demonstrates another year of progress towards achievement of its strategic goal of long-term financial sustainability.

Total assets measured \$181.7 million, representing an increase of \$28.6 million or almost 19% over the prior year. Current and other assets totaled \$69.6 million, increasing \$3.8 million or nearly 6% from the prior year. Capital assets, net of accumulated depreciation, finished the 2013 year at \$112.1 million, increasing \$24.8 million or approximately 28% due to the ongoing investment in infrastructure for the Authority.

Total liabilities at year end, both current and long-term, were \$51.8 million, increasing \$8.7 million or 20% from the previous year end. Current liabilities totaled \$21.8 million for 2013 up \$3.9 million from the 2012 fiscal year and were driven by increases in almost exclusively accounts payable due to the investment in infrastructure the Authority has made. The Authority continues to see improvement in its' liability for workers' compensation with an almost \$0.5 million reduction from the 2012 fiscal year. Long-term liabilities increased by \$4.7 million from the prior fiscal year and were almost exclusively due to the increase to other postemployment benefits highlighted earlier in this MD&A.

The overall net position of the Authority improves for fiscal year 2013 with an increase of \$19.6 million from \$110.1 million for fiscal year 2012. Again, this improvement is shown entirely in the net investment in capital assets and is due to the continuous investment in improved and new infrastructure to make the Authority the "preferred transportation choice".

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;

	2013	2012
Operating revenue:		
Customer fares	\$ 11.3	\$ 11.3
Special fares	15.8	15.7
Other	2.4	2.6
Total operating revenue	29.5	29.6
Operating expenses:		
Salaries and benefits	62.7	59.4
Non-personnel	21.2	21.1
Total operating expenses	83.9	80.5
Loss from operations	(54.4)	(50.9)
Depreciation	11.1	11.7
Nonoperating income(expense):		
Investment income	0.3	0.1
Mortgage recording tax	8.1	6.8
Other	(0.4)	1.5
Total nonoperating income(expense)	8.0	8.4
External Operating Assistance	44.7	42.8
Capital Contribution	32.4	21.2
Change in net position	19.6	9.8
Net position, beginning	110.1	100.3
Net position, end	\$ 129.7	\$ 110.1

The Authority's operating revenue for the 2013 fiscal year totaled \$29.5 million, decreasing \$0.1 million, from the 2012 fiscal year total of \$29.6 million. Customer fare revenue consists of cash fares paid on the bus and prepaid fare media sales to individual customers and various local agencies that distribute bus passes to their clients. These revenues were essentially flat from the prior year. The special fare revenue is one that the Authority is extremely proud of and that its continued growth has assisted us to be less reliant on contributions from both the Federal and New York State governments.

The major components of nonoperating income (expense) are investment earnings, mortgage recording tax and other items such as gains and losses from various financial transactions. The Authority's 2013 fiscal year reported a decrease in nonoperating income (expense) of \$0.4 million from 2012 fiscal year. The primary reason for this change is due to three items; (1) an increase of \$1.3 million in mortgage recording tax, a nonoperating income item, (2) the loss on impairment of capital assets associated with our College Town project of approximately \$0.3 million, a nonoperating expense item, and (3) a decrease in the realized gain from the fuel swap of approximately \$1.2 million from 2013 to 2012, a nonoperating income item.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)

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

The Authority receives external operating assistance subsidies from the Federal Government, the State of New York and each of our county service areas. The federal operating assistance received during the fiscal year 2013 was essentially flat when compared to the fiscal year 2012. The federal operating assistance is broken into three major categories for the Authority and 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 largest single source of external operating assistance is provided by the State of New York in the form of New York State Transit Operating Assistance (STOA). The Authority's 2013 fiscal year saw an increase in STOA of approximately \$2.1 million to \$32.7 million from the 2012 fiscal year. STOA is provided to the Authority based on a variety of funding formulas and through New York State taxes, primarily the Petroleum Business Tax. 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 is \$3.7 million for both the 2013 and 2012 fiscal years.

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 the 2013 fiscal year increased by approximately \$11.2 million, to \$32.4 million, which is a direct result of the aforementioned investment in infrastructure and the purchase of revenue vehicles. The following chart shows the use of the capital contributions for the fiscal years ended March 31:

	2013	2012
Capital contribution:		
Land	\$ 1.3	\$ -
Building and structures	16.3	10.1
Revenue vehicles	9.4	9.6
Maintenance equipment	0.1	0.2
Other equipment	5.1	1.1
Computer equipment	0.2	0.2
Total capital contribution	<u>\$ 32.4</u>	<u>\$ 21.2</u>

The Authority's operating expenses (excluding depreciation) for fiscal year 2013 were \$83.9 million, an increase of \$3.4 million or 4.2% from the prior year. The primary reason for the overall increase in operating expense was in the area of salaries and benefits and was due to Union contract settlements, including a retroactive wage increase, and the increase in the actuarially determined liability for other postemployment benefits. The non-personnel component of operating expenses was essentially flat between fiscal years 2013 and 2012.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (Continued)

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

Operating expenses

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

	2013	2012
Salaries and benefits:		
Wages	\$ 41.6	\$ 40.3
Benefits:		
FICA and Medicare	3.1	3.0
Health, Dental and Vision Insurance	14.4	12.3
Pension	1.2	0.9
Workers' Compensation	1.3	1.8
Other	1.1	1.1
Total Benefits	<u>21.1</u>	<u>19.1</u>
Total salaries and benefits	<u>\$ 62.7</u>	<u>\$ 59.4</u>

The Authority's wages for the 2013 fiscal year increased by \$1.3 million to \$41.6 million from the 2012 fiscal year, approximately a 3% increase. The wage increase was driven by two factors (1) a cost of living adjustment for non-union employees and (2) negotiated settlements with many of our previously expired Union contracts.

The Authority's employee benefits costs increased by approximately \$2.0 million from fiscal year 2012 to 2013. The primary reason for this cost increase was the additional expense as part of the actuarial determined liability for other postemployment benefits in our continuing compliance with GASB Statement No. 45.

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

	2013	2012
Non-personnel:		
Services	\$ 5.8	\$ 4.7
Fuel/Lubricants	7.8	7.7
Parts	2.8	3.1
Utilities	0.8	0.8
Materials and supplies	1.4	1.2
Casualty and Liability Insurance claims	1.2	2.1
Miscellaneous	<u>1.4</u>	<u>1.5</u>
Total non-personnel	<u>\$ 21.2</u>	<u>\$ 21.1</u>

The Authority's non-personnel expenses include a variety of categories, such as 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 of \$21.2 million for the 2013 fiscal year increased by \$0.1 million from the 2012 fiscal year.

CAPITAL ASSETS

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

	2013	2012
Capital asset, net:		
Land and improvements	\$ 4.3	\$ 2.9
Construction in process	22.4	16.4
Building and structures	14.3	2.8
Revenue vehicles	49.5	46.1
Non-revenue vehicles	0.1	0.2
Maintenance equipment	2.0	2.1
Other equipment	15.4	12.3
Leasehold improvements	1.4	1.5
Computer equipment	2.7	3.0
Total capital contribution	<u>\$ 112.1</u>	<u>\$ 87.3</u>

The Authority highlighted earlier in the MD&A the most significant changes in capital assets. Additional information for the Authority's capital assets may be found in the notes to the basic financial statements as Note 4.

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 continued slow economic recovery impacting both revenue and expense projections over the next four years. The multi-year budget projection includes the 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 unrestricted net position of approximately \$17.7 million allows to close these gaps through the fiscal year ended March 31, 2017. 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@rgrta.com.

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

STATEMENTS OF NET POSITION
MARCH 31, 2013

(With Comparative Totals as of March 31, 2012)

	Total <u>2013</u>	Total <u>2012</u>	<u>RGRTA</u>	<u>RTS</u>	<u>Lift Line</u>	<u>BBS</u>
ASSETS						
CURRENT ASSETS:						
Cash and equivalents	\$ 18,730,686	\$ 20,170,991	\$ 18,425,760	\$ 270,586	\$ 2,744	\$ 671
Current portion of investments	22,270,437	21,229,491	22,270,437	-	-	-
Accounts receivable, net	6,182,928	5,090,598	-	5,731,808	19,224	29,811
Mortgage tax receivable	633,417	574,449	633,417	-	-	-
Capital grants receivable	8,789,603	3,217,466	8,789,603	-	-	-
Operating assistance receivable	117,530	2,988,386	-	-	112,500	-
Interest receivable	130,605	109,731	130,605	-	-	-
Materials and supplies inventory, net	412,140	451,347	-	321,656	90,484	-
Prepaid expenses and other current assets	237,652	239,892	97,869	136,510	515	-
Inter-entity receivable	-	-	-	298,723	-	570
Total current assets	<u>57,504,998</u>	<u>54,072,351</u>	<u>50,347,691</u>	<u>6,759,283</u>	<u>225,467</u>	<u>31,052</u>
NONCURRENT ASSETS:						
Capital assets, net	112,120,683	87,287,462	-	105,012,876	2,643,025	190,174
Fixed price fuel swap asset	194,318	-	-	194,318	-	-
Investments, net of current portion	11,837,043	11,779,662	11,837,043	-	-	-
Investments in consolidated component unit entities	-	-	39,790,165	-	-	-
Total noncurrent assets	<u>124,152,044</u>	<u>99,067,124</u>	<u>51,627,208</u>	<u>105,207,194</u>	<u>2,643,025</u>	<u>190,174</u>
TOTAL ASSETS	<u>\$ 181,657,042</u>	<u>\$ 153,139,475</u>	<u>\$ 101,974,899</u>	<u>\$ 111,966,477</u>	<u>\$ 2,868,492</u>	<u>\$ 221,226</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION						
CURRENT LIABILITIES:						
Accounts payable	11,660,719	6,640,397	7,486,374	2,605,158	140,864	86,517
Accrued wages, vacation, pension and payroll taxes	4,029,856	4,150,494	193,840	3,174,050	283,122	33,542
Current portion of soil remediation liability	132,000	228,250	-	132,000	-	-
Current portion of capital lease obligation	44,315	-	-	44,315	-	-
Reserve for litigated and unlitigated claims	2,453,190	2,472,884	-	1,819,050	518,236	-
Workers' compensation reserve	3,490,002	3,940,000	300	2,918,222	377,599	129,652
Deferred revenue	3,939	3,006	-	2,229	1,710	-
Inventory reserve	-	442,934	-	-	-	-
Inter-entity payable	-	-	77,634	-	-	-
Total current liabilities	<u>21,814,021</u>	<u>17,877,965</u>	<u>7,758,148</u>	<u>10,695,024</u>	<u>1,321,531</u>	<u>249,711</u>
LONG-TERM LIABILITIES:						
Other postemployment benefits	29,326,888	24,778,888	459,779	28,867,109	-	-
Capital lease obligation, net of current portion	88,631	-	-	88,631	-	-
Soil remediation liability, net of current portion	<u>525,251</u>	<u>414,701</u>	<u>-</u>	<u>525,251</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>29,940,770</u>	<u>25,193,589</u>	<u>459,779</u>	<u>29,480,991</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>51,754,791</u>	<u>43,071,554</u>	<u>8,217,927</u>	<u>40,176,015</u>	<u>1,321,531</u>	<u>249,711</u>
DEFERRED INFLOWS -						
Accumulated increase in fair value of fixed price fuel swap	<u>194,318</u>	<u>-</u>	<u>-</u>	<u>194,318</u>	<u>-</u>	<u>-</u>
NET POSITION:						
Net investment in capital assets	111,987,737	87,287,462	-	104,879,930	2,643,025	190,174
Unrestricted	<u>17,720,196</u>	<u>22,780,459</u>	<u>93,756,972</u>	<u>(33,283,786)</u>	<u>(1,096,064)</u>	<u>(218,659)</u>
Total net position	<u>129,707,933</u>	<u>110,067,921</u>	<u>93,756,972</u>	<u>71,596,144</u>	<u>1,546,961</u>	<u>(28,485)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 181,657,042</u>	<u>\$ 153,139,475</u>	<u>\$ 101,974,899</u>	<u>\$ 111,966,477</u>	<u>\$ 2,868,492</u>	<u>\$ 221,226</u>

2013 Primary Government

<u>LATS</u>	<u>OTS</u>	<u>STS</u>	<u>WATS</u>	<u>WYTS</u>	<u>GTCS</u>	<u>Eliminations</u>	<u>Total</u>
\$ 9,277	\$ 633	\$ 497	\$ 1,568	\$ 1,126	\$ 17,824	\$ -	\$ 18,730,686
-	-	-	-	-	-	-	22,270,437
68,738	1,169	16,520	225,392	88,881	1,385	-	6,182,928
-	-	-	-	-	-	-	633,417
-	-	-	-	-	-	-	8,789,603
-	-	-	-	5,030	-	-	117,530
-	-	-	-	-	-	-	130,605
-	-	-	-	-	-	-	412,140
652	1,556	275	-	275	-	-	237,652
285	-	-	-	-	-	(299,578)	-
<u>78,952</u>	<u>3,358</u>	<u>17,292</u>	<u>226,960</u>	<u>95,312</u>	<u>19,209</u>	<u>(299,578)</u>	<u>57,504,998</u>
2,552,722	202,968	303,534	828,911	382,310	4,163	-	112,120,683
-	-	-	-	-	-	-	194,318
-	-	-	-	-	-	-	11,837,043
-	-	-	-	-	-	(39,790,165)	-
<u>2,552,722</u>	<u>202,968</u>	<u>303,534</u>	<u>828,911</u>	<u>382,310</u>	<u>4,163</u>	<u>(39,790,165)</u>	<u>124,152,044</u>
<u>\$ 2,631,674</u>	<u>\$ 206,326</u>	<u>\$ 320,826</u>	<u>\$ 1,055,871</u>	<u>\$ 477,622</u>	<u>\$ 23,372</u>	<u>\$ (40,089,743)</u>	<u>\$ 181,657,042</u>
40,145	48,363	28,790	102,505	42,679	1,079,324	-	11,660,719
62,956	18,671	33,380	79,534	51,662	99,099	-	4,029,856
-	-	-	-	-	-	-	132,000
-	-	-	-	-	-	-	44,315
46,101	-	4,598	65,205	-	-	-	2,453,190
24,652	4,493	-	899	33,586	599	-	3,490,002
-	-	-	-	-	-	-	3,939
-	-	-	-	-	-	-	-
-	-	-	-	-	221,944	(299,578)	-
<u>173,854</u>	<u>71,527</u>	<u>66,768</u>	<u>248,143</u>	<u>127,927</u>	<u>1,400,966</u>	<u>(299,578)</u>	<u>21,814,021</u>
-	-	-	-	-	-	-	29,326,888
-	-	-	-	-	-	-	88,631
-	-	-	-	-	-	-	525,251
-	-	-	-	-	-	-	29,940,770
<u>173,854</u>	<u>71,527</u>	<u>66,768</u>	<u>248,143</u>	<u>127,927</u>	<u>1,400,966</u>	<u>(299,578)</u>	<u>51,754,791</u>
-	-	-	-	-	-	-	194,318
2,552,722	202,968	303,534	828,911	382,310	4,163	-	111,987,737
(94,902)	(68,169)	(49,476)	(21,183)	(32,615)	(1,381,757)	(39,790,165)	17,720,196
<u>2,457,820</u>	<u>134,799</u>	<u>254,058</u>	<u>807,728</u>	<u>349,695</u>	<u>(1,377,594)</u>	<u>(39,790,165)</u>	<u>129,707,933</u>
<u>\$ 2,631,674</u>	<u>\$ 206,326</u>	<u>\$ 320,826</u>	<u>\$ 1,055,871</u>	<u>\$ 477,622</u>	<u>\$ 23,372</u>	<u>\$ (40,089,743)</u>	<u>\$ 181,657,042</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 YEAR ENDED MARCH 31, 2013
(With Comparative Totals For the Year Ended March 31, 2012)

	Total 2013	Total 2012	RGRTA	RTS	Lift Line	BBS
OPERATING REVENUE:						
Customer fares	\$ 11,245,293	\$ 11,273,691	\$ -	\$ 10,629,827	\$ 312,022	\$ 42,707
Special transit fares	15,827,185	15,696,102	-	13,167,862	-	128,040
Advertising	712,765	663,718	-	712,765	-	-
Reimbursement and recovery	1,116,899	1,360,029	-	1,097,212	17,549	240
Other	553,983	611,895	821,608	2,110,609	54,291	702
Total operating revenue	<u>29,456,125</u>	<u>29,605,435</u>	<u>821,608</u>	<u>27,718,275</u>	<u>383,862</u>	<u>171,689</u>
OPERATING EXPENSES AND DEPRECIATION:						
Operating expenses -						
Salaries and wages	41,588,402	40,217,885	1,385,121	33,071,321	3,576,229	381,834
Employee benefits	16,592,171	16,772,238	578,743	13,548,083	1,349,828	166,913
Inter-entity cost allocations	-	-	544,554	612,714	591,586	154,478
Other postemployment benefits	4,548,000	2,426,229	63,000	4,485,000	-	-
Materials and supplies	12,018,527	12,035,567	-	10,029,452	925,690	65,825
Outside services	5,783,379	4,706,587	78,712	2,856,903	215,480	54,949
Utilities	810,883	768,912	-	715,515	46,358	2,679
Casualty and liability insurance claims	1,202,691	2,109,775	1,238	897,603	120,960	8,087
Leases and rentals	313,945	305,019	-	191,395	28,941	11,806
Other	1,055,519	1,155,125	205,907	691,738	31,385	13,680
Total operating expenses	<u>83,913,517</u>	<u>80,497,337</u>	<u>2,857,275</u>	<u>67,099,724</u>	<u>6,886,457</u>	<u>860,251</u>
Depreciation -						
Locally funded	1,087,951	1,191,198	-	972,654	71,809	6,620
Grant funded	9,964,813	10,571,017	-	8,304,777	673,952	69,917
Total depreciation	<u>11,052,764</u>	<u>11,762,215</u>	<u>-</u>	<u>9,277,431</u>	<u>745,761</u>	<u>76,537</u>
Total operating expenses and depreciation	<u>94,966,281</u>	<u>92,259,552</u>	<u>2,857,275</u>	<u>76,377,155</u>	<u>7,632,218</u>	<u>936,788</u>
LOSS FROM OPERATIONS	<u>(65,510,156)</u>	<u>(62,654,117)</u>	<u>(2,035,667)</u>	<u>(48,658,880)</u>	<u>(7,248,356)</u>	<u>(765,099)</u>
NONOPERATING INCOME (EXPENSE):						
Investment income, net	330,034	114,470	330,034	-	-	-
Mortgage recording tax	8,110,462	6,807,000	8,110,462	-	-	-
Subrecipient grant revenue	81,022	-	81,022	-	-	-
Subrecipient grant expense	(81,022)	-	(81,022)	-	-	-
Loss on impairment of capital assets	(431,225)	(23,069)	-	(423,246)	-	-
(Loss) gain on change in soil remediation liability	(37,978)	181,999	-	(37,978)	-	-
Realized gain on fuel swap, net	32,114	1,204,825	-	32,114	-	-
Gain (loss) on disposal of capital assets, net	46,626	90,933	(23,282)	67,222	-	718
Authority subsidies	-	-	(7,745,245)	65,178	4,552,018	511,600
Write-off of inter-entity accounts	-	-	4,818,239	(4,244,780)	(112,068)	(14,556)
Total nonoperating income (expense)	<u>8,050,033</u>	<u>8,376,158</u>	<u>5,490,208</u>	<u>(4,541,490)</u>	<u>4,439,950</u>	<u>497,762</u>
EXTERNAL OPERATING ASSISTANCE SUBSIDIES:						
Federal	7,689,592	7,791,764	5,327	5,505,399	119,217	76,300
State	33,303,235	31,245,668	-	31,198,117	1,903,169	53,282
Local governments	3,726,000	3,726,000	-	3,524,051	-	53,282
Total external operating assistance subsidies	<u>44,718,827</u>	<u>42,763,432</u>	<u>5,327</u>	<u>40,227,567</u>	<u>2,022,386</u>	<u>182,864</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>(12,741,296)</u>	<u>(11,514,527)</u>	<u>3,459,868</u>	<u>(12,972,803)</u>	<u>(786,020)</u>	<u>(84,473)</u>
CAPITAL CONTRIBUTIONS:						
Federal	28,708,099	19,665,766	-	27,781,802	40,208	23,823
State	3,673,209	1,577,515	-	3,588,585	19,114	2,001
Authority	-	-	-	3,758,548	17,668	2,001
Total capital contributions	<u>32,381,308</u>	<u>21,243,281</u>	<u>-</u>	<u>35,128,935</u>	<u>76,990</u>	<u>27,825</u>
CHANGE IN NET POSITION	<u>19,640,012</u>	<u>9,728,754</u>	<u>3,459,868</u>	<u>22,156,132</u>	<u>(709,030)</u>	<u>(56,648)</u>
NET POSITION - beginning of year	<u>110,067,921</u>	<u>100,339,167</u>	<u>90,297,104</u>	<u>49,440,012</u>	<u>2,255,991</u>	<u>28,163</u>
NET POSITION - end of year	<u>\$ 129,707,933</u>	<u>\$ 110,067,921</u>	<u>\$ 93,756,972</u>	<u>\$ 71,596,144</u>	<u>\$ 1,546,961</u>	<u>\$ (28,485)</u>

2013 Primary Government

LATS	OTS	STS	WATS	WYTS	GTCS	Eliminations	Total
\$ 28,432	\$ 39,513	\$ 42,797	\$ 98,218	\$ 51,777	\$ -	\$ -	\$ 11,245,293
1,203,222	46	183,936	858,933	285,146	-	-	15,827,185
-	-	-	-	-	-	-	712,765
-	-	768	1,130	-	-	-	1,116,899
441	45	1,153	127	127	328,234	(2,763,354)	553,983
<u>1,232,095</u>	<u>39,604</u>	<u>228,654</u>	<u>958,408</u>	<u>337,050</u>	<u>328,234</u>	<u>(2,763,354)</u>	<u>29,456,125</u>
734,805	251,304	319,347	806,813	538,497	523,131	-	41,588,402
211,671	72,835	85,289	172,887	163,673	242,249	-	16,592,171
193,483	154,368	152,489	152,489	186,991	20,202	(2,763,354)	-
-	-	-	-	-	-	-	4,548,000
283,021	72,040	103,546	343,504	191,044	4,405	-	12,018,527
181,928	26,780	40,608	149,250	149,572	2,029,197	-	5,783,379
25,631	3,159	8,006	2,474	3,372	3,689	-	810,883
53,589	14,052	23,839	58,705	23,238	1,380	-	1,202,691
10,685	19,909	10,626	4,913	30,894	4,776	-	313,945
9,978	4,910	7,123	11,979	49,357	29,462	-	1,055,519
<u>1,704,791</u>	<u>619,357</u>	<u>750,873</u>	<u>1,703,014</u>	<u>1,336,638</u>	<u>2,858,491</u>	<u>(2,763,354)</u>	<u>83,913,517</u>
16,721	3,143	8,563	6,151	2,290	-	-	1,087,951
297,266	93,782	122,747	262,697	135,870	3,805	-	9,964,813
<u>313,987</u>	<u>96,925</u>	<u>131,310</u>	<u>268,848</u>	<u>138,160</u>	<u>3,805</u>	<u>-</u>	<u>11,052,764</u>
<u>2,018,778</u>	<u>716,282</u>	<u>882,183</u>	<u>1,971,862</u>	<u>1,474,798</u>	<u>2,862,296</u>	<u>(2,763,354)</u>	<u>94,966,281</u>
<u>(786,683)</u>	<u>(676,678)</u>	<u>(653,529)</u>	<u>(1,013,454)</u>	<u>(1,137,748)</u>	<u>(2,534,062)</u>	<u>-</u>	<u>(65,510,156)</u>
-	-	-	-	-	-	-	330,034
-	-	-	-	-	-	-	8,110,462
-	-	-	-	-	-	-	81,022
-	-	-	-	-	-	-	(81,022)
-	-	-	(7,979)	-	-	-	(431,225)
-	-	-	-	-	-	-	(37,978)
-	-	-	-	-	-	-	32,114
459	-	-	1,409	100	-	-	46,626
332,110	473,534	438,654	488,413	883,738	-	-	-
<u>(81,421)</u>	<u>(60,136)</u>	<u>(93,523)</u>	<u>(112,482)</u>	<u>(99,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>251,148</u>	<u>413,398</u>	<u>345,131</u>	<u>369,361</u>	<u>784,565</u>	<u>-</u>	<u>-</u>	<u>8,050,033</u>
86,800	49,000	42,200	184,179	77,800	1,543,370	-	7,689,592
35,024	30,181	24,964	38,378	20,120	-	-	33,303,235
35,024	30,181	24,964	38,378	20,120	-	-	3,726,000
<u>156,848</u>	<u>109,362</u>	<u>92,128</u>	<u>260,935</u>	<u>118,040</u>	<u>1,543,370</u>	<u>-</u>	<u>44,718,827</u>
<u>(378,687)</u>	<u>(153,918)</u>	<u>(216,270)</u>	<u>(383,158)</u>	<u>(235,143)</u>	<u>(990,692)</u>	<u>-</u>	<u>(12,741,296)</u>
458,054	-	73,004	166,106	165,102	-	-	28,708,099
57,255	-	-	3,722	2,532	-	-	3,673,209
56,752	-	-	3,722	2,532	-	(3,841,223)	-
<u>572,061</u>	<u>-</u>	<u>73,004</u>	<u>173,550</u>	<u>170,166</u>	<u>-</u>	<u>(3,841,223)</u>	<u>32,381,308</u>
193,374	(153,918)	(143,266)	(209,608)	(64,977)	(990,692)	(3,841,223)	19,640,012
<u>2,264,446</u>	<u>288,717</u>	<u>397,324</u>	<u>1,017,336</u>	<u>414,672</u>	<u>(386,902)</u>	<u>(35,948,942)</u>	<u>110,067,921</u>
\$ 2,457,820	\$ 134,799	\$ 254,058	\$ 807,728	\$ 349,695	\$ (1,377,594)	\$ (39,790,165)	\$ 129,707,933

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 YEAR ENDED MARCH 31, 2013

(With comparative totals for the year ended March 31, 2012)

	Total 2013	Total 2012	RGRTA	RTS	Lift Line
CASH FLOW FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 25,365,389	\$ 27,212,436	\$ -	\$ 22,104,699	\$ 297,813
Other operating receipts	2,867,126	2,716,729	821,608	3,920,586	71,840
Payments to vendors and suppliers for goods and services	(18,757,558)	(17,879,324)	(239,665)	(14,348,274)	(1,168,894)
Payments to employees for services	(58,383,105)	(56,650,515)	(2,638,789)	(47,319,387)	(5,530,182)
Payments for insurance and risk management	(1,740,595)	(1,036,106)	(93,125)	(1,325,610)	(114,554)
Other operating payments	(1,498,449)	(1,155,122)	(205,907)	(1,134,669)	(31,384)
Net cash flow from operating activities	<u>(52,147,192)</u>	<u>(46,791,902)</u>	<u>(2,355,878)</u>	<u>(38,102,655)</u>	<u>(6,475,361)</u>
CASH FLOW FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:					
Mortgage tax receipts	8,051,494	6,700,618	8,051,494	-	-
Operating assistance receipts (payments), net	<u>47,589,684</u>	<u>42,670,243</u>	<u>(2,314,760)</u>	<u>38,200,094</u>	<u>6,474,834</u>
Net cash flow from noncapital and related financing activities	<u>55,641,178</u>	<u>49,370,861</u>	<u>5,736,734</u>	<u>38,200,094</u>	<u>6,474,834</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Capital contributions	26,809,171	20,638,724	26,809,171	-	-
Purchases of capital assets	(31,188,740)	(22,459,308)	(31,183,164)	-	-
Payments of capital lease obligations	(44,315)	(64,461)	-	(44,315)	-
Payments for soil remediation	(23,678)	(57,499)	-	(23,678)	-
Proceeds from sales of capital and related assets	<u>79,498</u>	<u>90,932</u>	<u>-</u>	<u>76,813</u>	<u>-</u>
Net cash flow from capital and related financing activities	<u>(4,368,064)</u>	<u>(1,851,612)</u>	<u>(4,373,993)</u>	<u>8,820</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES:					
Deposits in capital reserve fund	(1,204,700)	(1,289,210)	(1,204,700)	-	-
Interest income from cash and working capital	100,373	92,688	100,373	-	-
Withdrawals from self-insurance fund	-	-	-	-	-
Withdrawals from capital reserve fund	2,890,613	1,725,077	2,890,613	-	-
Withdrawals from paratransit reserve fund	36,934	4,752	36,934	-	-
Purchase of government securities	(2,553,774)	(12,000,000)	(2,553,774)	-	-
Receipts for fixed price fuel swap, net	<u>164,327</u>	<u>1,180,362</u>	<u>-</u>	<u>164,327</u>	<u>-</u>
Net cash flow from investing activities	<u>(566,227)</u>	<u>(10,286,331)</u>	<u>(730,554)</u>	<u>164,327</u>	<u>-</u>
CHANGE IN CASH AND EQUIVALENTS	(1,440,305)	(9,558,984)	(1,723,691)	270,586	(527)
CASH AND EQUIVALENTS - beginning of year	<u>20,170,991</u>	<u>29,729,975</u>	<u>20,149,451</u>	<u>-</u>	<u>3,271</u>
CASH AND SHORT-TERM INVESTMENTS - end of year	<u>\$ 18,730,686</u>	<u>\$ 20,170,991</u>	<u>\$ 18,425,760</u>	<u>\$ 270,586</u>	<u>\$ 2,744</u>
SUPPLEMENTAL NON-CASH CAPITAL AND RELATED FINANCING TRANSACTIONS:					
Assets acquired with capital lease obligations	<u>\$ 177,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,261</u>	<u>\$ -</u>
Capital assets purchased by the Authority transferred to the component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,213,595)</u>	<u>\$ 35,119,545</u>	<u>\$ 76,991</u>

2013 Primary Government

<u>BBS</u>	<u>LATS</u>	<u>OTS</u>	<u>STS</u>	<u>WATS</u>	<u>WYTS</u>	<u>GTCS</u>	<u>Eliminations</u>	<u>Total</u>
167,198	\$ 1,259,884	\$ 39,108	\$ 256,845	\$ 880,250	359,592	\$ -	\$ -	\$ 25,365,389
942	441	45	1,921	1,257	127	811,713	(2,763,354)	2,867,126
(133,568)	(541,778)	(121,181)	(157,994)	(480,287)	(393,070)	(1,172,847)	-	(18,757,558)
(711,873)	(1,144,037)	(478,491)	(554,020)	(1,117,200)	(882,034)	(770,446)	2,763,354	(58,383,105)
(69,223)	(55,678)	(8,874)	(21,516)	(29,962)	(21,272)	(781)	-	(1,740,595)
(13,680)	(9,978)	(4,910)	(7,122)	(11,980)	(49,357)	(29,462)	-	(1,498,449)
<u>(760,204)</u>	<u>(491,146)</u>	<u>(574,303)</u>	<u>(481,886)</u>	<u>(757,922)</u>	<u>(986,014)</u>	<u>(1,161,823)</u>	<u>-</u>	<u>(52,147,192)</u>
-	-	-	-	-	-	-	-	8,051,494
<u>759,438</u>	<u>498,352</u>	<u>574,259</u>	<u>481,560</u>	<u>754,469</u>	<u>984,205</u>	<u>1,177,233</u>	<u>-</u>	<u>47,589,684</u>
<u>759,438</u>	<u>498,352</u>	<u>574,259</u>	<u>481,560</u>	<u>754,469</u>	<u>984,205</u>	<u>1,177,233</u>	<u>-</u>	<u>55,641,178</u>
-	-	-	-	-	-	-	-	26,809,171
-	-	-	-	-	-	(5,576)	-	(31,188,740)
-	-	-	-	-	-	-	-	(44,315)
-	-	-	-	-	-	-	-	(23,678)
<u>718</u>	<u>459</u>	<u>-</u>	<u>-</u>	<u>1,408</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>79,498</u>
<u>718</u>	<u>459</u>	<u>-</u>	<u>-</u>	<u>1,408</u>	<u>100</u>	<u>(5,576)</u>	<u>-</u>	<u>(4,368,064)</u>
-	-	-	-	-	-	-	-	(1,204,700)
-	-	-	-	-	-	-	-	100,373
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,890,613
-	-	-	-	-	-	-	-	36,934
-	-	-	-	-	-	-	-	(2,553,774)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,327</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(566,227)</u>
(48)	7,665	(44)	(326)	(2,045)	(1,709)	9,834	-	(1,440,305)
<u>719</u>	<u>1,612</u>	<u>677</u>	<u>823</u>	<u>3,613</u>	<u>2,835</u>	<u>7,990</u>	<u>-</u>	<u>20,170,991</u>
<u>\$ 671</u>	<u>\$ 9,277</u>	<u>\$ 633</u>	<u>\$ 497</u>	<u>\$ 1,568</u>	<u>\$ 1,126</u>	<u>\$ 17,824</u>	<u>\$ -</u>	<u>\$ 18,730,686</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,261</u>
<u>\$ 27,825</u>	<u>\$ 572,564</u>	<u>\$ -</u>	<u>\$ 73,004</u>	<u>\$ 173,550</u>	<u>\$ 170,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

(With comparative totals for the year ended March 31, 2012)
(Continued)

	<u>Total</u> <u>2013</u>	<u>Total</u> <u>2012</u>	<u>RGRTA</u>	<u>RTS</u>	<u>Lift Line</u>
RECONCILIATION OF CHANGE IN					
NET ASSETS TO NET CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Loss from operations	\$ (65,510,156)	\$ (62,654,117)	\$ (2,035,667)	\$ (48,658,880)	\$ (7,248,356)
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Depreciation - locally funded	1,087,952	1,191,200	-	972,654	71,810
Depreciation - grant funded	9,964,813	10,571,017	-	8,304,777	673,952
Changes in:					
Accounts receivable	(1,224,540)	415,127	-	(1,695,216)	(12,913)
Materials and supplies inventory	39,207	30,959	-	19,325	19,882
Prepaid expenses and other current assets	2,241	(71,260)	(92,187)	59,568	34,744
Accounts payable	(312,965)	(69,734)	(160,953)	(1,017,268)	27,693
Accrued wages, vacation, pension and payroll taxes	(120,638)	287,608	(48,477)	(87,269)	(12,539)
Reserve for litigated and unlitigated claims	(90,147)	1,418,885	-	(74,207)	(53,335)
Workers' compensation reserve	(449,998)	(221,956)	300	(413,368)	24,997
Other postemployment benefits	4,466,106	2,426,229	(18,894)	4,485,000	-
Inventory reserve	-	-	-	-	-
Deferred revenue	933	(115,860)	-	2,229	(1,296)
	<u>\$ (52,147,192)</u>	<u>\$ (46,791,902)</u>	<u>\$ (2,355,878)</u>	<u>\$ (38,102,655)</u>	<u>\$ (6,475,361)</u>
Net cash flow from operating activities	<u>\$ (52,147,192)</u>	<u>\$ (46,791,902)</u>	<u>\$ (2,355,878)</u>	<u>\$ (38,102,655)</u>	<u>\$ (6,475,361)</u>

2013 Primary Government

<u>BBS</u>	<u>LATS</u>	<u>OTS</u>	<u>STS</u>	<u>WATS</u>	<u>WYTS</u>	<u>GTCS</u>	<u>Eliminations</u>	<u>Total</u>
\$ (765,099)	\$ (786,683)	\$ (676,678)	\$ (653,529)	\$ (1,013,454)	\$ (1,137,748)	\$ (2,534,062)	\$ -	\$ (65,510,156)
6,620	16,721	3,143	8,564	6,150	2,290	-	-	1,087,952
69,917	297,266	93,782	122,747	262,697	135,870	3,805	-	9,964,813
(3,549)	28,230	(451)	30,112	(76,901)	22,669	483,479	-	(1,224,540)
-	-	-	-	-	-	-	-	39,207
-	(19)	685	(275)	-	(275)	-	-	2,241
1,691	(40,513)	707	4,792	19,854	(18,188)	869,220	-	(312,965)
(8,648)	(4,078)	16	3,105	14,989	7,127	15,136	-	(120,638)
-	6,999	-	2,598	28,197	(399)	-	-	(90,147)
(61,136)	(9,069)	4,493	-	546	2,640	599	-	(449,998)
-	-	-	-	-	-	-	-	4,466,106
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	933
<u>\$ (760,204)</u>	<u>\$ (491,146)</u>	<u>\$ (574,303)</u>	<u>\$ (481,886)</u>	<u>\$ (757,922)</u>	<u>\$ (986,014)</u>	<u>\$ (1,161,823)</u>	<u>\$ -</u>	<u>\$ (52,147,192)</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)**

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013**

1. 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 13-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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements

The financial statements of the Authority include the accounts of RGRTA, and its nine (9) blended component units for which the Authority is financially accountable. The Authority's 13-member Board of Commissioners is comprised of individuals from each member county. The Board of Commissioners oversees public transportation for its member counties: Monroe, Genesee, Livingston, 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 (GTC), which is the metropolitan transportation planning organization for the Genesee-Finger Lakes Region; GTCS is reported herein as a blended component unit. The nine 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. (RTS)
- Lift Line, Inc. (Lift Line)
- Batavia Bus Service, Inc. (BBS)
- Livingston Area Transportation Service, Inc. (LATS)
- Orleans Transit Service, Inc. (OTS)
- Seneca Transit Service, Inc. (STS)
- Wayne Area Transportation Service, Inc. (WATS)
- Wyoming Transit Service, Inc. (WYTS)
- Genesee Transportation Council Staff, Inc. (GTCS)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recent Accounting Pronouncements

In March 2012, the GASB issued GASB statement No. 65 "*Items previously Reported As Assets and Liabilities*". This statement will reclassify and recognize certain items currently reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, and inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2012. The Authority has not completed the process of evaluating the impact of this statement.

During June 2012, GASB issued GASB statement No. 67 "*Financial Reporting For Pension Plans – an amendment of GASB Statement No. 25*." The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB No. 67 enhances note disclosures and required supplementary information ("RSI") for both defined benefit and defined contribution pension plans. GASB No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions in GASB No. 67 are effective for financial statements for periods beginning after June 15, 2013. The Authority has not completed the process of evaluating the impact of this statement.

In June 2012, GASB issued GASB statement No. 68 "*Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*." This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB No. 68 are effective for fiscal years beginning after June 15, 2014. The Authority has not completed the process of evaluating the impact of this statement.

Basis of Presentation

GASB requires the classification of net position into three components – net investment in capital assets; restricted and unrestricted. The Authority does not have a restricted net position as of March 31, 2013. 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. As of March 31, 2013 and 2012, RTS is the only entity with a reduction of its net position invested in capital assets for debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Unrestricted - This component of net position consists of net position that do not meet the definition of "net investment in capital assets" or "restricted."

Cash and Equivalents

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

Accounts Receivable

Accounts receivable 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 considers the accounts receivable to be fully collectible at all Organizations except for BBS, LATS, STS, WATS and WYTS and accordingly, other than at BBS, LATS, STS, WATS and WYTS which have recorded allowances of \$123, \$262, \$515, \$305 and \$18,700, respectively, for the year ended March 31, 2013. For the year ended March 31, 2012 except for BBS, LATS, STS, WATS and WYTS which recorded allowances of \$16,544, \$257, \$617, \$267 and \$93,058, respectively, no allowance for doubtful accounts has been established in the rest of the Organization.

Mortgage Recording Tax

The Authority receives a portion of mortgage recording tax equal to \$.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 historical experience and a review of inventory on hand. RTS has recorded an allowance for obsolete inventory of \$139,661 and \$180,363 for 2013 and 2012, respectively.

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 expenditures 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.

Inter-Entity Cost Allocations

RGRTA, RTS and Lift Line allocate costs to the Authority and the Organizations based on estimates of time incurred to reflect the portion of salaries and benefits of RGRTA, RTS, and Lift Line employees who perform administrative functions for the RGRTA and the Organizations.

Authority Subsidies

Annually, RGRTA subsidizes the operations of the Organizations, except for GTCS, based on each respective Organization's operating results. In order to determine the annual subsidy, operating and certain non-operating revenues and external operating subsidies are reduced by operating and certain 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, expense and changes in net position.

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 nonoperating expenses.

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 nonoperating revenues.

Capital Contributions

The United States 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 government's 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.

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.

Comparative Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended March 31, 2012, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform with the current year presentation.

3. CASH AND INVESTMENTS

Cash and equivalents

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

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Bank demand deposits	\$ 307,333	\$ 6,886,741	\$ 20,452	\$ 394,069
Money market funds	<u>18,421,103</u>	<u>18,421,103</u>	<u>20,147,919</u>	<u>20,147,919</u>
	<u>\$ 18,728,436</u>	<u>\$ 25,307,844</u>	<u>\$ 20,168,371</u>	<u>\$ 20,541,988</u>

Collateral

As of March 31, 2013, the reported amount of the Authority's collateral balance was \$32,330,806 and the bank balance was \$29,541,462, which included \$4,233,618 of money market funds held for investment. Of the collateral, \$501,309 was covered by federal depository insurance and \$31,829,497 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.

Inter-Entity Borrowings

Due to the centralized nature of RGRTA and the Organizations' cash management functions, RGRTA and the Organizations periodically advance funds to one another as cash flow needs arise. At March 31, 2013, the following represents amounts due to (from) RGRTA, RTS, BBS, LATS and GTCS:

	<u>RGRTA</u>	<u>RTS</u>	<u>BBS</u>	<u>LATS</u>	<u>GTCS</u>	<u>Total</u>
RGRTA	\$ -	\$ -	\$ -	\$ -	\$ 77,634	\$ 77,634
RTS	-	-	-	-	(298,723)	(298,723)
BBS	-	-	-	-	(570)	(570)
LATS	-	-	-	-	(285)	(285)
GTCS	<u>(77,634)</u>	<u>298,723</u>	<u>570</u>	<u>285</u>	<u>-</u>	<u>221,944</u>
Net due to (from)	<u>\$ (77,634)</u>	<u>\$ 298,723</u>	<u>\$ 570</u>	<u>\$ 285</u>	<u>\$ (221,944)</u>	<u>\$ -</u>

In 2013, RGRTA and Organizations wrote-off current year inter-entity receivable (payable) balances that were not expected to be paid as well as prior year inter-entity receivable (payable) balances which are set forth in the statements of revenue, expenses and changes in net position as write-off of inter-entity accounts.

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 2NCYRR 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, 2013, the Authority's investments in government securities consisted of the following:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>Greater than 10</u>
New York State Municipal Securities	\$ 2,419,783	\$ 2,419,783	\$ -	\$ -
United States Treasury Notes	16,699,489	-	16,699,489	-
Government National Mortgage Association	<u>10,754,590</u>	<u>-</u>	<u>-</u>	<u>10,754,590</u>
	<u>\$ 29,873,862</u>	<u>\$ 2,419,783</u>	<u>\$ 16,699,489</u>	<u>\$ 10,754,590</u>

As of March 31, 2012, the Authority's investments in Government Securities consisted of the following:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>Greater than 10</u>
New York State Municipal Securities	\$ 22,558	\$ 22,558	\$ -	\$ -
United States Treasury Notes	16,248,069	-	16,248,069	-
Government National Mortgage Association	<u>5,556,283</u>	<u>-</u>	<u>-</u>	<u>5,556,283</u>
	<u>\$ 21,826,910</u>	<u>\$ 22,558</u>	<u>\$ 16,248,069</u>	<u>\$ 5,556,283</u>

3. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Accrued interest on investments of \$130,605 and \$109,731 is included in interest receivable on the statement of net position for 2013 and 2012, respectively.

Increases in Fair Value

The net increase in the fair value of investments during 2013 and 2012 was \$8,046,952 and \$21,826,910, 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, 2013 and 2012 was \$325,898 and \$106,691, 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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012, all of the Authority's money market funds were held with JPMorgan Chase. As of March 31, 2013 and 2012, the Authority's investments were 55.9% and 74.7%, respectively, invested in United States Treasury Notes, 36.0% and 25.3%, respectively, invested in mortgage backed asset securities and 8.1% and 0.0%, respectively, invested in New York State Municipal Securities.

3. CASH AND INVESTMENTS (Continued)

Designations

The Authority's money market funds and government securities amounts are reserved by the Board of Commissioners for working capital, self-insurance, capital expenditures, other postemployment benefits and paratransit. The Authority's money market funds and government securities were reserved as of March 31, 2013:

	<u>Money Market Funds</u>	<u>Government Securities</u>	<u>Total</u>
Working capital	\$ 18,421,103	\$ 14,595,909	\$ 33,017,012
Self-insurance reserve fund	1,503,331	3,533,557	5,036,888
Capital reserve fund	2,637,640	-	2,637,640
Paratransit reserve fund	92,647	2,997,337	3,089,984
Other postemployment benefits reserve fund	<u>-</u>	<u>8,747,059</u>	<u>8,747,059</u>
Total	<u>\$ 22,654,721</u>	<u>\$ 29,873,862</u>	<u>\$ 52,528,583</u>

4. CAPITAL ASSETS

Capital assets consisted of the following:

	RGRTA				
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ 23,282	\$ -	\$ (23,282)	\$ -	\$ -
Construction-in-process	-	-	-	-	-
Total capital assets not being depreciated	<u>23,282</u>	<u>-</u>	<u>(23,282)</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	-	-	-	-	-
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	-	-	-	-	-
Computer equipment	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	-	-	-	-	-
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	-	-	-	-	-
Computer equipment	-	-	-	-	-
Leasehold improvements	-	-	-	-	-
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>\$ 23,282</u>	<u>\$ -</u>	<u>\$ (23,282)</u>	<u>\$ -</u>	<u>\$ -</u>
	RTS				
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ 2,640,066	\$ 1,450,774	\$ -	\$ -	\$ 4,090,840
Construction-in-process	16,086,788	32,870,146	(492,976)	(26,226,240)	22,237,718
Total capital assets not being depreciated	<u>18,726,854</u>	<u>34,320,920</u>	<u>(492,976)</u>	<u>(26,226,240)</u>	<u>26,328,558</u>
Capital assets being depreciated:					
Land improvements	2,942,232	-	-	-	2,942,232
Buildings and structures	21,549,613	-	(2,286,614)	12,266,353	31,529,352
Revenue vehicles	85,621,612	858,430	(1,476,126)	9,367,570	94,371,486
Non-revenue vehicles	1,331,742	16,333	(42,791)	-	1,305,284
Maintenance equipment	4,117,478	40,000	-	152,294	4,309,772
Other equipment	20,506,113	-	(3,507,539)	4,126,948	21,125,522
Computer equipment	6,122,639	191,671	(377,585)	313,075	6,249,800
Leasehold improvements	134,645	-	-	-	134,645
Total capital assets being depreciated	<u>142,326,074</u>	<u>1,106,434</u>	<u>(7,690,655)</u>	<u>26,226,240</u>	<u>161,968,093</u>
Accumulated depreciation of capital assets:					
Land improvements	(2,850,949)	(31,297)	-	-	(2,882,246)
Buildings and structures	(19,106,292)	(724,707)	2,286,414	-	(17,544,585)
Revenue vehicles	(43,198,653)	(5,895,681)	1,476,126	-	(47,618,208)
Non-revenue vehicles	(1,113,715)	(117,896)	42,792	-	(1,188,819)
Maintenance equipment	(2,044,337)	(242,003)	-	-	(2,286,340)
Other equipment	(9,592,311)	(1,651,023)	3,465,329	-	(7,778,005)
Computer equipment	(3,537,198)	(613,478)	303,189	-	(3,847,487)
Leasehold improvements	(136,739)	(1,346)	-	-	(138,085)
Total accumulated depreciation	<u>(81,580,194)</u>	<u>(9,277,431)</u>	<u>7,573,850</u>	<u>-</u>	<u>(83,283,775)</u>
Total capital assets being depreciated, net	<u>60,745,880</u>	<u>(8,170,997)</u>	<u>(116,805)</u>	<u>26,226,240</u>	<u>78,684,318</u>
Total capital assets	<u>\$ 79,472,734</u>	<u>\$ 26,149,923</u>	<u>\$ (609,781)</u>	<u>\$ -</u>	<u>\$ 105,012,876</u>

4. CAPITAL ASSETS (Continued)

	Lift Line				
	March 31, <u>2012</u>	<u>Additions</u>	Impairments/ <u>Retirements</u>	<u>Transfers</u>	March 31, <u>2013</u>
Capital assets not being depreciated:					
Land	\$ 85,529	\$ -	\$ -	\$ -	\$ 85,529
Construction-in-process	-	64,348	-	-	64,348
Total capital assets not being depreciated	<u>85,529</u>	<u>64,348</u>	<u>-</u>	<u>-</u>	<u>149,877</u>
Capital assets being depreciated:					
Land improvements	293,620	-	-	-	293,620
Buildings and structures	1,054,000	-	-	-	1,054,000
Revenue vehicles	3,610,016	-	(67,793)	(222,944)	3,319,279
Non-revenue vehicles	164,579	-	-	-	164,579
Maintenance equipment	208,339	12,643	-	-	220,982
Other equipment	1,824,286	-	-	-	1,824,286
Computer equipment	529,243	-	-	-	529,243
Leasehold improvements	-	-	-	-	-
Total capital assets being depreciated	<u>7,684,083</u>	<u>12,643</u>	<u>(67,793)</u>	<u>(222,944)</u>	<u>7,405,989</u>
Accumulated depreciation of capital assets:					
Land improvements	(200,233)	(8,389)	-	-	(208,622)
Buildings and structures	(697,382)	(23,292)	-	-	(720,674)
Revenue vehicles	(2,605,842)	(427,327)	67,793	222,944	(2,742,432)
Non-revenue vehicles	(151,092)	(5,058)	-	-	(156,150)
Maintenance equipment	(208,339)	(421)	-	-	(208,760)
Other equipment	(433,156)	(230,435)	-	-	(663,591)
Computer equipment	(161,773)	(50,839)	-	-	(212,612)
Leasehold improvements	-	-	-	-	-
Total accumulated depreciation	<u>(4,457,817)</u>	<u>(745,761)</u>	<u>67,793</u>	<u>222,944</u>	<u>(4,912,841)</u>
Total capital assets being depreciated, net	<u>3,226,266</u>	<u>(733,118)</u>	<u>-</u>	<u>-</u>	<u>2,493,148</u>
Total capital assets	<u>\$ 3,311,795</u>	<u>\$ (668,770)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,643,025</u>
	BBS				
	March 31, <u>2012</u>	<u>Additions</u>	Impairments/ <u>Retirements</u>	<u>Transfers</u>	March 31, <u>2013</u>
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	4,946	27,825	-	(20,016)	12,755
Total capital assets not being depreciated	<u>4,946</u>	<u>27,825</u>	<u>-</u>	<u>(20,016)</u>	<u>12,755</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	793,036	-	(105,705)	(54,172)	633,159
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	39,535	-	-	20,016	59,551
Computer equipment	3,634	-	-	-	3,634
Leasehold improvements	78,998	-	-	-	78,998
Total capital assets being depreciated	<u>915,203</u>	<u>-</u>	<u>(105,705)</u>	<u>(34,156)</u>	<u>775,342</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	(588,923)	(69,917)	105,705	54,172	(498,963)
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	(33,126)	(1,423)	-	-	(34,549)
Computer equipment	(3,634)	-	-	-	(3,634)
Leasehold improvements	(55,580)	(5,197)	-	-	(60,777)
Total accumulated depreciation	<u>(681,263)</u>	<u>(76,537)</u>	<u>105,705</u>	<u>54,172</u>	<u>(597,923)</u>
Total capital assets being depreciated, net	<u>233,940</u>	<u>(76,537)</u>	<u>-</u>	<u>20,016</u>	<u>177,419</u>
Total capital assets	<u>\$ 238,886</u>	<u>\$ (48,712)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,174</u>

4. CAPITAL ASSETS (Continued)

	LATS				
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	236,069	572,564	-	(801,815)	6,818
Total capital assets not being depreciated	<u>236,069</u>	<u>572,564</u>	<u>-</u>	<u>(801,815)</u>	<u>6,818</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	1,969,121	-	(56,334)	(321,646)	1,591,141
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	93,600	-	(3,788)	801,815	891,627
Computer equipment	-	-	-	-	-
Leasehold improvements	1,685,308	-	-	-	1,685,308
Total capital assets being depreciated	<u>3,748,029</u>	<u>-</u>	<u>(60,122)</u>	<u>480,169</u>	<u>4,168,076</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	(1,340,240)	(226,749)	56,333	321,646	(1,189,010)
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	(85,530)	(36,428)	3,789	-	(118,169)
Computer equipment	-	-	-	-	-
Leasehold improvements	(264,183)	(50,810)	-	-	(314,993)
Total accumulated depreciation	<u>(1,689,953)</u>	<u>(313,987)</u>	<u>60,122</u>	<u>321,646</u>	<u>(1,622,172)</u>
Total capital assets being depreciated, net	<u>2,058,076</u>	<u>(313,987)</u>	<u>-</u>	<u>801,815</u>	<u>2,545,904</u>
Total capital assets	<u>\$ 2,294,145</u>	<u>\$ 258,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,552,722</u>
	OTS				
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	-	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	595,023	-	-	54,172	649,195
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	13,259	-	-	-	13,259
Other equipment	22,607	-	-	-	22,607
Computer equipment	-	-	-	-	-
Leasehold improvements	21,030	-	-	-	21,030
Total capital assets being depreciated	<u>651,919</u>	<u>-</u>	<u>-</u>	<u>54,172</u>	<u>706,091</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	(295,131)	(96,925)	-	(54,172)	(446,228)
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	(13,258)	-	-	-	(13,258)
Other equipment	(22,607)	-	-	-	(22,607)
Computer equipment	-	-	-	-	-
Leasehold improvements	(21,030)	-	-	-	(21,030)
Total accumulated depreciation	<u>(352,026)</u>	<u>(96,925)</u>	<u>-</u>	<u>(54,172)</u>	<u>(503,123)</u>
Total capital assets being depreciated, net	<u>299,893</u>	<u>(96,925)</u>	<u>-</u>	<u>-</u>	<u>202,968</u>
Total capital assets	<u>\$ 299,893</u>	<u>\$ (96,925)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,968</u>

4. CAPITAL ASSETS (Continued)

	STS				
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	2	7,833	(2)	-	7,833
Total capital assets not being depreciated	<u>2</u>	<u>7,833</u>	<u>(2)</u>	<u>-</u>	<u>7,833</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	746,527	65,171	-	(137,554)	674,144
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	4,005	-	-	-	4,005
Other equipment	9,364	-	-	-	9,364
Computer equipment	5,825	-	-	-	5,825
Leasehold improvements	98,175	-	-	-	98,175
Total capital assets being depreciated	<u>863,896</u>	<u>65,171</u>	<u>-</u>	<u>(137,554)</u>	<u>791,513</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	(414,438)	(125,231)	-	137,554	(402,115)
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	(4,006)	-	-	-	(4,006)
Other equipment	(9,365)	-	-	-	(9,365)
Computer equipment	(5,826)	-	-	-	(5,826)
Leasehold improvements	(68,421)	(6,079)	-	-	(74,500)
Total accumulated depreciation	<u>(502,056)</u>	<u>(131,310)</u>	<u>-</u>	<u>137,554</u>	<u>(495,812)</u>
Total capital assets being depreciated, net	<u>361,840</u>	<u>(66,139)</u>	<u>-</u>	<u>-</u>	<u>295,701</u>
Total capital assets	<u>\$ 361,842</u>	<u>\$ (58,306)</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 303,534</u>
WATS					
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	12,723	37,217	(7,979)	-	41,961
Total capital assets not being depreciated	<u>12,723</u>	<u>37,217</u>	<u>(7,979)</u>	<u>-</u>	<u>41,961</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	2,254,386	130,342	(205,159)	459,200	2,638,769
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	41,257	-	-	-	41,257
Computer equipment	8,654	-	-	-	8,654
Leasehold improvements	192,852	5,990	-	-	198,842
Total capital assets being depreciated	<u>2,497,149</u>	<u>136,332</u>	<u>(205,159)</u>	<u>459,200</u>	<u>2,887,522</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	(1,347,412)	(268,539)	205,159	(459,200)	(1,869,992)
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	(41,264)	-	-	-	(41,264)
Computer equipment	(8,654)	-	-	-	(8,654)
Leasehold improvements	(180,353)	(309)	-	-	(180,662)
Total accumulated depreciation	<u>(1,577,683)</u>	<u>(268,848)</u>	<u>205,159</u>	<u>(459,200)</u>	<u>(2,100,572)</u>
Total capital assets being depreciated, net	<u>919,466</u>	<u>(132,516)</u>	<u>-</u>	<u>-</u>	<u>786,950</u>
Total capital assets	<u>\$ 932,189</u>	<u>\$ (95,299)</u>	<u>\$ (7,979)</u>	<u>\$ -</u>	<u>\$ 828,911</u>

4. CAPITAL ASSETS (Continued)

	WYTS				
	March 31, <u>2012</u>	<u>Additions</u>	Impairments/ <u>Retirements</u>	<u>Transfers</u>	March 31, <u>2013</u>
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	22,276	14,505	-	-	36,781
Total capital assets not being depreciated	<u>22,276</u>	<u>14,505</u>	<u>-</u>	<u>-</u>	<u>36,781</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	1,182,014	130,342	-	222,944	1,535,300
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	2,330	-	-	-	2,330
Other equipment	40,850	25,320	-	-	66,170
Computer equipment	2,084	-	-	-	2,084
Leasehold improvements	15,480	-	-	-	15,480
Total capital assets being depreciated	<u>1,242,758</u>	<u>155,662</u>	<u>-</u>	<u>222,944</u>	<u>1,621,364</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	(853,985)	(138,161)	-	(222,944)	(1,215,090)
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	(2,330)	-	-	-	(2,330)
Other equipment	(40,851)	-	-	-	(40,851)
Computer equipment	(2,084)	-	-	-	(2,084)
Leasehold improvements	(15,480)	-	-	-	(15,480)
Total accumulated depreciation	<u>(914,730)</u>	<u>(138,161)</u>	<u>-</u>	<u>(222,944)</u>	<u>(1,275,835)</u>
Total capital assets being depreciated, net	<u>328,028</u>	<u>17,501</u>	<u>-</u>	<u>-</u>	<u>345,529</u>
Total capital assets	<u>\$ 350,304</u>	<u>\$ 32,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,310</u>
	GTCS				
	March 31, <u>2012</u>	<u>Additions</u>	Impairments/ <u>Retirements</u>	<u>Transfers</u>	March 31, <u>2013</u>
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction-in-process	-	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	-	-	-	-	-
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	34,198	-	-	-	34,198
Computer equipment	27,878	5,576	-	-	33,454
Leasehold improvements	42,500	-	-	-	42,500
Total capital assets being depreciated	<u>104,576</u>	<u>5,576</u>	<u>-</u>	<u>-</u>	<u>110,152</u>
Accumulated depreciation of capital assets:					
Land improvements	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Revenue vehicles	-	-	-	-	-
Non-revenue vehicles	-	-	-	-	-
Maintenance equipment	-	-	-	-	-
Other equipment	(31,807)	(2,391)	-	-	(34,198)
Computer equipment	(27,877)	(1,414)	-	-	(29,291)
Leasehold improvements	(42,500)	-	-	-	(42,500)
Total accumulated depreciation	<u>(102,184)</u>	<u>(3,805)</u>	<u>-</u>	<u>-</u>	<u>(105,989)</u>
Total capital assets being depreciated, net	<u>2,392</u>	<u>1,771</u>	<u>-</u>	<u>-</u>	<u>4,163</u>
Total capital assets	<u>\$ 2,392</u>	<u>\$ 1,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,163</u>

4. CAPITAL ASSETS (Continued)

	Primary Government				
	March 31, 2012	Additions	Impairments/ Retirements	Transfers	March 31, 2013
Capital assets not being depreciated:					
Land	\$ 2,748,877	\$ 1,450,774	\$ (23,282)	\$ -	\$ 4,176,369
Construction-in-process	16,362,804	33,594,438	(500,957)	(27,048,071)	22,408,214
Total capital assets not being depreciated	<u>19,111,681</u>	<u>35,045,212</u>	<u>(524,239)</u>	<u>(27,048,071)</u>	<u>26,584,583</u>
Capital assets being depreciated:					
Land improvements	3,235,852	-	-	-	3,235,852
Buildings and structures	22,603,613	-	(2,286,614)	12,266,353	32,583,352
Revenue vehicles	96,771,735	1,184,285	(1,911,117)	9,367,570	105,412,473
Non-revenue vehicles	1,496,321	16,333	(42,791)	-	1,469,863
Maintenance equipment	4,345,411	52,643	-	152,294	4,550,348
Other equipment	22,611,810	25,320	(3,511,327)	4,948,779	24,074,582
Computer equipment	6,699,957	197,247	(377,585)	313,075	6,832,694
Leasehold improvements	2,268,988	5,990	-	-	2,274,978
Total capital assets being depreciated	<u>160,033,687</u>	<u>1,481,818</u>	<u>(8,129,434)</u>	<u>27,048,071</u>	<u>180,434,142</u>
Accumulated depreciation of capital assets:					
Land improvements	(3,051,182)	(39,686)	-	-	(3,090,868)
Buildings and structures	(19,803,674)	(747,999)	2,286,414	-	(18,265,259)
Revenue vehicles	(50,644,624)	(7,248,530)	1,911,116	-	(55,982,038)
Non-revenue vehicles	(1,264,807)	(122,954)	42,792	-	(1,344,969)
Maintenance equipment	(2,272,270)	(242,424)	-	-	(2,514,694)
Other equipment	(10,290,017)	(1,921,700)	3,469,118	-	(8,742,599)
Computer equipment	(3,747,046)	(665,731)	303,189	-	(4,109,588)
Leasehold improvements	(784,286)	(63,741)	-	-	(848,027)
Total accumulated depreciation	<u>(91,857,906)</u>	<u>(11,052,765)</u>	<u>8,012,629</u>	<u>-</u>	<u>(94,898,042)</u>
Total capital assets being depreciated, net	<u>68,175,781</u>	<u>(9,570,947)</u>	<u>(116,805)</u>	<u>27,048,071</u>	<u>85,536,100</u>
Total capital assets	<u>\$ 87,287,462</u>	<u>\$ 25,474,265</u>	<u>\$ (641,044)</u>	<u>\$ -</u>	<u>\$ 112,120,683</u>

5. INTER-ENTITY COST ALLOCATION

During 2013, RGRTA, RTS, and Lift Line allocated certain administrative personnel costs to the Authority's component units. The amounts are reported as other operating revenue and as inter-entity cost allocations of the Authority's component units. These amounts are eliminated within the primary government total.

	<u>RGRTA</u>	<u>RTS</u>	<u>Lift Line</u>	<u>Total</u>
RGRTA	\$ -	\$ 544,554	\$ -	\$ 544,554
RTS	612,714	-	-	612,714
Lift Line	58,011	533,575	-	591,586
BBS	19,983	126,283	8,212	154,478
LATS	56,614	128,657	8,212	193,483
OTS	19,983	126,173	8,212	154,368
STS	19,983	124,294	8,212	152,489
WATS	19,983	124,294	8,212	152,489
WYTS	52,606	126,173	8,212	186,991
GTC	-	20,202	-	20,202
Total	<u>\$ 859,877</u>	<u>\$ 1,854,205</u>	<u>\$ 49,272</u>	<u>\$ 2,763,354</u>

6. CAPITAL LEASE OBLIGATION

During fiscal 2013, the Authority obtained computer Storage Area Network equipment under a four year non-interest bearing capital lease with annual payments of \$44,315.

The cost of assets under capital lease amounted to \$177,261 as of March 31, 2013. Accumulated amortization of assets under capital leases was \$44,315 as of March 31, 2013. Amortization expense for assets under capital lease was \$44,315 for the year ended March 31, 2013.

7. PENSION PLANS

New York State and Local Employees' Retirement System

Plan Description

All of the employees of the RGRTA (11) and GTCS (8) participate in the New York State and Local Employees' Retirement System (the System). 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, 2013 and 2012 was \$1,500,498 and \$1,914,096, respectively. The GTCS payroll for employees covered by the System for the years ended March 31, 2013 and 2012 was \$513,031 and \$497,911, respectively.

Funding Policy

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.

7. 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 will vary 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 2013, 2012, and 2011 were equal to the required contributions for the year, and were recorded as expense as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
RGRTA	\$ 302,463	\$ 319,275	\$ 200,555
GTCS	<u>102,154</u>	<u>67,115</u>	<u>50,017</u>
	<u>\$ 404,617</u>	<u>\$ 386,390</u>	<u>\$ 250,572</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

Plan Description

The Authority is the sponsor of four single employer defined benefit pension plans. These plans provide retirement benefits for approximately 1,050 active and inactive plan participants as of March 31, 2013.

- 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)
- Retirement Plan for Non-Union Employees of Lift Line, Inc. and Rural Properties (Lift Line and Regional Entities Non-Union Plan)

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 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 fiscal years 2013 and 2012, 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 Amalgamated Transit Union, Local 282, AFL-CIO 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.

7. PENSION PLANS (Continued)

Single Employer Pension Plans (Continued)

Funding Policy and Annual Pension Cost

The Organizations' annual pension cost for the current year and related information for each plan is as follows:

	RTS Union Plan	RTS Non-Union Plan	Lift Line Union Plan	Lift Line and Regional Entities Non-Union Plan
Plan type	Single Employer Defined Benefit Plan			
Date of actuarial valuation:	11/1/2012	4/1/2012	4/1/2012	5/1/2012
Contribution rates:				
Employer	1.5%(a)	(b)	3.0%	(b)
Plan members	1.5%(a)	0.0%	3.0%	3.0%
Normal retirement age	65	62	65	65
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 1.3%. (g)	Monthly benefit calculated based on the employee's yearly compensation multiplied by years of credited service times 1.45%.
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Unprojected Unit Credit	Unprojected Unit Credit
Amortization method (c)	Level Dollar Method	Level Dollar Method	Level Dollar Method	Level Dollar Method
Amortization period	Closed - 10 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.
Actuarial assumptions:				
Investment rate of return, net	8.0%	7.1%	8.0%	7.1%
Projected salary increases	5.0%	4.0%	5.0%	5.0%
Annual pension cost (APC)	\$ 1,498,238	\$ 286,474	\$ 78,700	\$ 200,463
APC contributed	100%	100%	100%	100%
Annual required contribution (f)	\$ 1,498,238	\$ 286,474	\$ 78,700	\$ 200,463
Amortization of unfunded actuarial liability (asset) - including interest	\$ 282,859	\$ (212,817)	\$ (134,838)	\$ 50,355
Adjustment for net pension obligation	\$ -	\$ -	\$ -	\$ -
Ending balance of net pension obligation	\$ 2,726,471	\$ -	\$ -	\$ 313,150
Number of members (Active and Inactive)	727	173	61	85

(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 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 Lift Line Union Plan, for participants that retire after February 3, 2011 the pension benefit multiplier increased from 1.075% to 1.3% retroactive for compensation earned during each year subsequent to April 1, 1992.

7. PENSION PLANS (Continued)

Single Employer Pension Plans (Continued)

Trend Information:

Plan Year Ended	Annual Required <u>Contribution (1)</u>	Amount <u>Contributed</u>	Percentage <u>Contributed</u>
RTS UNION PLAN			
October 31, 2012	\$ 1,112,120	\$ 1,112,120	100.0%
October 31, 2011	\$ 949,924	\$ 949,924	100.0%
October 31, 2010	\$ 992,251	\$ 992,251	100.0%
October 31, 2009	\$ 616,245	\$ 616,245	100.0%
October 31, 2008	\$ 686,499	\$ 686,499	100.0%
October 31, 2007	\$ 951,140	\$ 951,140	100.0%
RTS NON-UNION PLAN			
March 31, 2012	\$ -	\$ -	N/A
March 31, 2011	\$ -	\$ -	N/A
March 31, 2010	\$ -	\$ -	N/A
March 31, 2009	\$ -	\$ -	N/A
March 31, 2008	\$ -	\$ -	N/A
March 31, 2007	\$ -	\$ -	N/A
LIFT LINE UNION PLAN			
March 31, 2012	\$ 82,045	\$ 82,045	100.0%
March 31, 2011	\$ 77,722	\$ 77,722	100.0%
March 31, 2010	\$ 70,941	\$ 70,941	100.0%
March 31, 2009	\$ 110,960	\$ 110,960	100.0%
March 31, 2008	\$ 73,743	\$ 73,743	100.0%
March 31, 2007	\$ 72,404	\$ 72,404	100.0%
LIFT LINE AND REGIONAL ENTITIES NON-UNION PLAN			
April 30, 2012	\$ 69,463	\$ 69,463	100.0%
April 30, 2011	\$ 67,470	\$ 67,470	100.0%
April 30, 2010	\$ 60,404	\$ 60,404	100.0%
April 30, 2009	\$ 42,065	\$ 42,065	100.0%
April 30, 2008	\$ 32,849	\$ 32,849	100.0%
April 30, 2007	\$ 19,665	\$ 19,665	100.0%

(1) 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.

7. PENSION PLANS (Continued)

Single Employer Pension Plans (Continued)

Schedule of Pension Funding Progress:

Actuarial Report as of:	Actuarial Valuation of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Excess (Deficiency) of Assets Over AAL	Annual Covered Payroll	Excess (Deficiency) as a Percentage of Covered Payroll
RTS UNION PLAN						
(\$ In Millions)						
November 1, 2012	\$ 42.4	\$ 45.1	94.0%	\$ (2.7)	\$ 22.4	-12.1%
November 1, 2011	\$ 40.5	\$ 38.9	104.1%	\$ 1.6	\$ 20.0	8.0%
November 1, 2010	\$ 39.2	\$ 38.2	102.6%	\$ 1.0	\$ 18.9	5.3%
November 1, 2009	\$ 39.0	\$ 36.9	105.7%	\$ 2.1	\$ 18.6	11.3%
November 1, 2008	\$ 39.5	\$ 37.2	106.2%	\$ 2.3	\$ 18.4	12.5%
November 1, 2007	\$ 36.8	\$ 35.8	102.8%	\$ 1.0	\$ 18.5	5.4%
RTS NON-UNION PLAN						
(\$ In Millions)						
April 1, 2012	\$ 18.2	\$ 17.4	104.6%	\$ 0.8	\$ 4.1	19.5%
April 1, 2011	\$ 17.7	\$ 15.0	118.0%	\$ 2.7	\$ 3.9	69.2%
April 1, 2010	\$ 17.2	\$ 14.5	118.6%	\$ 2.7	\$ 3.8	71.1%
April 1, 2009	\$ 16.6	\$ 13.8	120.3%	\$ 2.7	\$ 3.5	77.1%
April 1, 2008	\$ 19.2	\$ 13.0	147.7%	\$ 6.2	\$ 3.3	187.9%
April 1, 2007	\$ 18.8	\$ 12.2	154.1%	\$ 6.6	\$ 3.4	194.1%
LIFT LINE UNION PLAN						
(\$ In Thousands)						
April 1, 2012	\$ 2,079.8	\$ 1,175.1	177.0%	\$ 904.7	\$ 2,552.4	35.4%
April 1, 2011	\$ 1,835.2	\$ 1,124.6	163.2%	\$ 710.6	\$ 1,868.7	38.0%
April 1, 2010	\$ 1,621.5	\$ 864.6	187.5%	\$ 756.9	\$ 1,919.0	39.4%
April 1, 2009	\$ 1,398.2	\$ 779.1	179.5%	\$ 619.1	\$ 1,831.0	33.8%
April 1, 2008	\$ 1,323.5	\$ 717.0	184.6%	\$ 606.5	\$ 1,917.0	31.6%
April 1, 2007	\$ 1,112.9	\$ 586.7	189.7%	\$ 526.2	\$ 1,972.0	26.7%
LIFT LINE AND REGIONAL ENTITIES NON-UNION PLAN						
(\$ In Thousands)						
May 1, 2012	\$ 1,232.2	\$ 1,545.3	79.7%	\$ (313.1)	\$ 2,270.3	-13.8%
May 1, 2011	\$ 1,097.9	\$ 1,238.1	88.7%	\$ (140.2)	\$ 1,904.1	-7.4%
May 1, 2010	\$ 951.4	\$ 1,114.5	85.4%	\$ (163.1)	\$ 1,829.8	-8.9%
May 1, 2009	\$ 864.5	\$ 1,036.5	83.4%	\$ (172.0)	\$ 1,756.9	-9.8%
May 1, 2008	\$ 931.9	\$ 940.5	99.1%	\$ (8.6)	\$ 1,585.4	-0.5%
May 1, 2007	\$ 838.6	\$ 856.2	97.9%	\$ (17.6)	\$ 1,571.1	-1.1%

8. 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 551 active employees as of March 31, 2013. 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 Governmental Accounting Standards Board (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 2013 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 2013 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 as of November 1, 2012 and plan provisions as of April 1, 2012. The valuation was performed as of April 1, 2012. While there is not a requirement to fund the obligation, the Authority has established a reserve fund to provide funding for a dedicated OPEB trust account when permitted to do so by state legislation.

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with 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 the 2013 fiscal year, the amount actually contributed to the Plan, and the changes in the net OPEB obligation:

	<u>RGRTA</u>	<u>RTS</u>	<u>Total</u>
Annual required contribution before interest	\$ 108,000	\$ 6,617,000	\$ 6,725,000
Interest on net OPEB obligation	14,000	853,000	867,000
Amortization of UAAL	<u>(22,000)</u>	<u>(1,326,000)</u>	<u>(1,348,000)</u>
Annual OPEB cost	100,000	6,144,000	6,244,000
Contributions made	<u>(37,000)</u>	<u>(1,659,000)</u>	<u>(1,696,000)</u>
Increase in Net OPEB Obligation	63,000	4,485,000	4,548,000
Net OPEB Obligation - beginning of year	<u>396,779</u>	<u>24,382,109</u>	<u>24,778,888</u>
Net OPEB Obligation - end of year	<u>\$ 459,779</u>	<u>\$ 28,867,109</u>	<u>\$ 29,326,888</u>

8. POSTEMPLOYMENT BENEFITS (Continued)

Percentage of Annual OPEB Cost

Schedule of OPEB Cost Contributed

Actuarial Valuation Date	Annual OPEB Cost	% of OPEB Cost Contributed	Contribution (ARC)	% of ARC Contributed	Net OPEB Obligation
4/1/09	\$ 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

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, 2012 actuarial valuation the following methods and assumptions were used:

Actuarial Cost Method	Projected Unit Credit
Rate of Inflation	2.5% per annum, compounded annually
Discount Rate*	3.5%
Medical Care Cost Trend Rate	7.5% pre-Medicare and 6.0% post-Medicare in 2013, decreasing gradually until the ultimate post-Medicare rate of 5.05% in 2047.

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.

8. POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress for the Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of covered Payroll (b)-(a)/(c)
4/1/09	\$ -	\$ 66,176,500	\$ 66,176,500	0.0%	\$ 24,344,939	271.8%
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%

9. SELF-INSURANCE

The Authority is self-insured up to \$1,500,000 per incident for automobile liability, and is self-insured for workers' compensation, environmental claims, and certain forms of property damage. In addition, the Authority maintains excess automobile liability insurance coverage of \$15,000,000 with outside insurance carriers. The Authority has set aside assets for claim settlement and servicing. All component units of the Authority are covered by these assets.

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.

Workers' Compensation Reserve - 2013

	Balance - March 31, 2012	Current Year Claims and Changes in Estimates	Claims Payments	Balance - March 31, 2013
Authority	\$ -	\$ 939	\$ (639)	\$ 300
RTS	3,331,590	182,345	(595,713)	2,918,222
Lift Line	352,602	86,744	(61,747)	377,599
BBS	190,788	16,214	(77,350)	129,652
LATS	33,721	175	(9,244)	24,652
OTS	-	5,266	(773)	4,493
STS	353	406	(406)	353
WATS	-	4,298	(3,752)	546
WYTS	30,946	7,215	(4,575)	33,586
GTCS	-	599	-	599
Total	\$ 3,940,000	\$ 304,201	\$ (754,199)	\$ 3,490,002

9. SELF-INSURANCE (Continued)

Reserve for Litigated and Unlitigated Claims - 2013

	Balance - <u>March 31, 2012</u>	Current Year Claims and Changes in Estimates	Claims (Payments)/ Recoupments	Balance - <u>March 31, 2013</u>
RTS	\$ 1,822,804	\$ 357,492	\$ (361,246)	\$ 1,819,050
Lift Line	571,571	(26,331)	(27,004)	518,236
LATS	39,102	18,371	(11,372)	46,101
STS	2,000	9,071	(6,473)	4,598
WATS	37,008	14,954	13,243	65,205
WYTS	<u>399</u>	<u>(399)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,472,884</u>	<u>\$ 373,158</u>	<u>\$ (392,852)</u>	<u>\$ 2,453,190</u>

Changes in investments designated for self-insurance during fiscal 2013 are as follows:

Balance - beginning of year	\$ 5,002,545
Earnings self-insurance investments, net	<u>34,343</u>
Balance - end of year	<u>\$ 5,036,888</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.

10. 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 New York State 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 fiscal 2013 are as follows:

Balance - beginning of year	\$ 4,316,372
Additional funding from unrestricted net position	1,204,700
Authorized disbursements of funds for local share of capital purchases	(2,890,613)
Interest earnings on capital reserve investments	<u>7,181</u>
Balance - end of year	<u>\$ 2,637,640</u>

11. COMMITMENTS

Leases

The Authority leases property for its Customer Service Center under a non-cancelable operating lease agreement expiring April 2014, with annual rent of approximately \$43,000. Rent expense at Lift Line and RTS combined under the terms of this agreement was \$42,647 in 2013.

WYTS leases property for administration and operations under a non-cancelable operating lease agreement expiring April 2016, with annual rent expense of the \$19,800.

12. FIXED PRICE FUEL SWAP

Fuel Swap

In May 2012, the Authority entered into two transactions with Cargill, Incorporated (Cargill) pursuant to the September 2011 master agreement to mitigate the volatile risk of diesel fuel costs for budgetary and cost control purposes as discussed below for the period June 1, 2012 through March 31, 2015.

Hedge Effectiveness

The Authority used the consistent critical terms method to evaluate the hedge effectiveness of the fuel swap contract. This method evaluates effectiveness by qualitative consideration of the critical terms of the hedgeable item (i.e., diesel fuel) and the potential hedging derivative instrument. Under the consistent critical terms method if the critical terms of the hedgeable item and the potential hedging derivative instrument are the same, or similar, the changes in cash flows of the potential hedging derivative instrument will offset substantially the changes in cash flows of the hedgeable item. The Authority considered the fuel swap contract to be effective due to the fact that the changes in cash flow from the price of diesel fuel substantially offset the changes in price of the fuel swap contract.

Objectives

RTS entered into the fuel swap contract to reduce the risk of price volatility for diesel fuel supply. The swap contract for fiscal year ended March 31, 2013 covered approximately 58% of total fuel establishing a cap on fuel cost per gallon for that portion of fuel needs. The balance of RTS' fuel supply needs were purchased via spot market to take advantage of market prices that fall below the fixed price swap amount per gallon.

12. FIXED PRICE FUEL SWAP (Continued)

Terms

The terms of the RTS fuel swap contract were as follows:

<u>Notional Amount</u>	<u>Counter-Party Credit Rating *</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
120,000 Gallons of Diesel Fuel per month	A	6/1/2012	3/31/2013	Pay \$3.0650 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	4/1/2013	3/31/2014	Pay \$3.0325 per gallon of diesel fuel receive floating price NY Harbor Ultra Low Sulfur Diesel Fuel price back.
34,000 Gallons of Diesel Fuel per month	A	4/1/2013	3/31/2014	Pay \$2.8250 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	4/1/2014	3/31/2015	Pay \$2.8275 per gallon of diesel fuel receive floating price NY Harbor Ultra Low Sulfur Diesel Fuel price back.

* As noted by Standard and Poors.

During 2013, RTS received \$32,114, in cash net payments from Cargill. During 2012, RTS received \$1,204,825, in cash net payments from BAML Bank of America/Merrill Lynch under the terms of a previous contract that matured March 31, 2012.

Credit Risk

RTS is exposed to credit risk related to the fuel swap contract when it is in an asset position. To mitigate that risk, the total amount of the fuel swap contract asset as of March 31, 2013 and 2012 is the maximum loss that would have been recognized at the reporting date if Cargill failed to perform.

RTS has entered into a collateral support agreement with Cagrill to mitigate the risk of non-performance during the period the fuel swap contract is in effect.

The collateral agreement requires that if the performance exposure and, the position market value of the fuel swap contract, 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.

12. FIXED PRICE FUEL SWAP (Continued)

Basis Risk

RTS is not exposed to basis risk on the fuel swap contract because the expected commodity purchase being hedged will price based on U.S. spot price, at the pricing point that is the same as the pricing point at which the forward contract is expected to settle.

Termination Risk

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

13. 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.

14. 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.

During 2009, RTS identified and estimated costs related to a remediation obligation. RTS recorded a non-operating expense and corresponding liability for soil contamination remediation obligations.

During 2013, RTS recognized a loss on change in soil remediation liability of \$37,978 and has increased its soil remediation liability to \$657,251 as of March 31, 2013, using the cash flow technique.

14. SOIL REMEDIATION LIABILITY (Continued)

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

	<u>2013</u>	<u>2012</u>
Soil remediation liability beginning of year	\$ 642,951	\$ 882,447
Expected additional future outlays, increasing liability estimates	37,978	-
Payments for soil remediation	(23,678)	(57,497)
Reduction in liability estimates	<u>-</u>	<u>(181,999)</u>
Soil remediation liability end of year	657,251	642,951
Less: Current portion	<u>(132,000)</u>	<u>(228,250)</u>
Long-term soil remediation liability	<u>\$ 525,251</u>	<u>\$ 414,701</u>

RTS has estimated it will expend approximately \$132,000 in fiscal 2014 and has recorded this amount as a current liability.

The soil remediation liability consists of future and present activities associated with the decontamination of the soil at the RTS 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.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2013

Federal Grantor/ Program Title	Federal CFDA Number	Pass-Through Contract/Grantor Number	Federal Expenditures
Federal Transit Administration, U.S. Department of Transportation:			
Federal Transit Cluster -			
Federal Transit_Formula Grants	20.507	NY-90-X665	\$ 859,492
	20.507	NY-90-X582	346,093
	20.507	NY-90-X615	73,719
	20.507	NY-95-X014	1,552,694
	20.507	NY-95-X023	1,966,724
	20.507	NY-90-X641	906,188
	20.507	NY-95-X034	909,083
	20.507	NY-90-X686	3,921,812
	20.507	NY-95-X027	3,738,989
	20.507	2013 5307	<u>2,020,977</u>
			16,295,771
ARRA-Federal Transit_Formula Grants	20.507	NY-96-X019	<u>151,089</u>
			<u>16,446,860</u>
Federal Transit_Capital Investment Grants	20.500	NY-03-0429	957,187
	20.500	NY-04-0060	1,982,151
	20.500	NY-55-0008	3,494,117
	20.500	NY-04-0083	3,616,943
	20.500	NY-04-0075	25,747
	20.500	NY-04-0068	4,573,037
	20.500	NY-04-0066	483,030
	20.500	NY-04-0067	<u>1,882,374</u>
			<u>17,014,586</u>
Total Federal Transit Cluster			<u>33,461,446</u>
Transit Services Programs Cluster -			
Job Access_Reverse Commute	20.516	NY-37-X092	<u>355,989</u>
New Freedom Program	20.521	NY-57-X001	19,478
	20.521	NY-57-X017	555
	20.521	NY-57-X031	<u>152,186</u>
			<u>172,219</u>
Total Transit Services Programs Cluster			<u>528,208</u>

(Continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED MARCH 31, 2013

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Contract/Grantor Number</u>	<u>Federal Expenditures</u>
Federal Transit Administration, U.S. Department of Transportation: Metropolitan Transportation Planning	20.505	D-125016/ D-125017	<u>97,771</u>
Passed through New York State Department of Transportation -			
Formula Grants for Other Than Urbanized Areas	20.509	C-003654	553,935
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	NY-86-X001	<u>361,991</u>
			<u>915,926</u>
Federal Highway Administration, U.S. Department of Transportation:			
Highway Planning and Construction Cluster -			
Highway Planning and Construction	20.205	D-125552/ D-125553	<u>1,543,370</u>
Total Federal Transit Administration, and Federal Highway Administration, U.S. Department of Transportation			<u>36,546,721</u>
Administration for Children and Families, U.S. Department of Health and Human Services:			
Passed through New York State Department of Transportation -			
TANF Cluster -			
Temporary Assistance for Needy Families	93.558	K007028	<u>4,212</u>
Total Administration for Children and Families, U.S. Department of Health and Human Services/ TANF Cluster			<u>4,212</u>

(Continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED MARCH 31, 2013

Department of Homeland Security:

Rail and Transit Security Grant Program	97.075	2009-RA-T9-0049	131,985
	97.075	2010-RA-T0-0023	9,582
	97.075	EMW-2011-RA-0048	<u>3,510</u>

Total Department of Homeland Security 145,077

\$ 36,696,010

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 26, 2013

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 the Rochester-Genesee Regional Transportation Authority and each of its blended component units (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 year ended March 31, 2013, 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 26, 2013.

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 opinions 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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**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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

June 26, 2013

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Rochester-Genesee Regional Transportation Authority and each of its blended component units (the Authority, a New York State public benefit corporation, which is a component unit of the State of New York) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended March 31, 2013. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2013.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE**

(Continued)

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2013**

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Rochester-Genesee Regional Transportation Authority (the Authority) and each of its blended component units. The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States.

3. SUBRECIPIENTS

The Authority provided federal awards to Medical Motors Service, Inc. a subrecipient, as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract/ Grantor Number</u>	<u>Amounts Provided</u>
New Freedom Program	20.521	NY-57-X031	<u>\$ 81,022</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2013**

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of Rochester-Genesee Regional Transportation Authority and each of its blended component units (the Authority).
2. No significant deficiencies related to the audit of the financial statements are 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*.
3. 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.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Authority expresses an unqualified opinion.
6. There are no audit findings required to be reported relative to the major federal award programs for the Authority.
7. The program tested as a major program was:
 - Federal Transit Cluster:
 - CFDA No. 20.507 - Federal Transit_Formula Grants
 - CFDA No. 20.500 - Federal Transit_Capital Investment Grants
 - CFDA No. 20.507 - ARRA-Federal Transit_Formula Grants
8. The threshold for distinguishing Types A and B programs was \$1,100,880.
9. The Authority was not determined to be a low-risk auditee.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
MARCH 31, 2013**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.