CDTA

Annual Report
2015-2016

INDEX


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FROM THE CHAIRMAN

CHAIRMAN
David M. Stackrow

On behalf of our Board of Directors, I am proud to present the Capital District Transportation Authority Annual Report. As the Capital Region's mobility leader we are focused on improving accessibility, enhancing mobility options and growing our customer base to provide transformative transportation systems. We pay very close attention to our financial condition and take seriously our fiduciary responsibilities.

We have set a new ridership record for the third straight year, with more than 17 million boardings on our buses. Those gains are fueled by our successful Universal Access program, a robust route network and technology that make our services more attractive to customers. This has resulted in more partnerships, more customers and allows our dedicated workforce to remain focused on providing an array of high quality mobility options.

CDTA's *Navigator*, our new smart card and mobile payment system, will take the customer experience to the next level. We advanced through pilot testing this year and anticipate rollout to a large set of customers in fall 2016. A mobile website will be enhanced for secure smartcards and mobile application payment capabilities. We envision a day when customers can use *Navigator* to ride a bus, rent a bike, share a car or even take a taxi ride.

Moving our innovation platform forward includes lots of background work, which led to our first Regional Economic Development Council Award to build our Uncle Sam Transit Center in Troy. The center, located at the Uncle Sam Parking Garage, will improve services, connections and support ongoing economic development activity in downtown Troy.

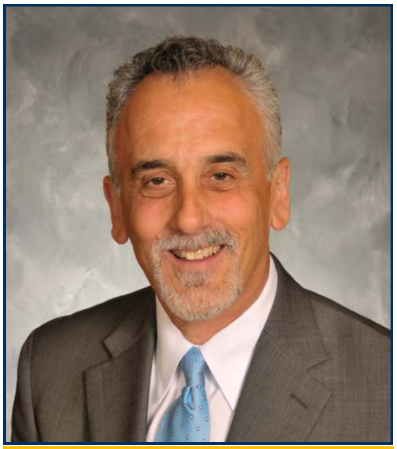
Our advocacy efforts are bearing fruit and the message is resonating at the local level and in Washington as well. Increased funding at the state level will allow us to enhance our route network, while passage of the FAST Act on the federal level, will invest $61 billion in public transportation systems and authorize more than $300 billion in infrastructure over the next five years.

CDTA is ready to do more for our customers, partners and the region. Our buses serve more people than ever and our route network is poised for expansion. Our equipment and facilities are modern and attractive, and our employees are committed to an ambitious innovation platform of activities. The Board of Directors would like to thank the men and women who keep CDTA running and leave us feeling optimistic and energized.

Sincerely,
David M. Stackrow

Chairman of the Board

FROM THE CHIEF EXECUTIVE OFFICER



CHIEF EXECUTIVE OFFICER
Carm Basile

I am proud to report another successful year for the CDTA. Our work is centered on building attractive mobility options for customers, while offering our employees a first rate workplace experience. Record ridership, increased funding at the state and federal levels, along with development of our *Navigator* payment platform were key highlights for us. We have a solid foundation to build from and expand our menu of mobility options.

Thanks to our loyal customers and outstanding workforce, we finished last year with 17.1 million boardings. Our Innovation Platform of projects has resonated with our partners, municipal leaders and stakeholders increasing ridership 25% over the past six years. From our growing Universal Access program, to the introduction of real time information and mobile apps, we are forging ahead with bigger and better plans.

Progress on our 40-miles of BRT service continues with a safety improvement project along the Washington-Western corridor at the intersection of Lark and Washington. The project includes installation of a customer waiting area and a new BRT station at the Albany Public Library. Building on the success of our BusPlus service along Central Avenue, this corridor will be known as the "Purple Line" with a third BRT line to be called the "Blue Line" running along Route 32 between Albany and Troy.

Our employees are the real stars of the show. From sound preventive maintenance programs in our garages, to the quality of our Bus operators, CDTA is successful because of their work. I am happy to report we agreed on a new collective bargaining agreement with the Amalgamated Transit Union, insuring that our people have good wages and benefits, with appropriate management oversight regarding work assignment and service quality.

We have sharpened our image to positon CDTA to a wider audience. CDTA's *Navigator* is the future of transit, offering customers flexibility in how they ride, how they pay and loyalty programs that will make it easier to attract new customers. We have begun to look at how smart card and mobile ticket application can be used beyond buses. There are new developments almost daily and the potential to be integrated into multiple modes of transportation is exciting.

We would not be positioned for success and growth without our partners. From elected officials to business and community leaders, it's a team effort to keep CDTA running at peak performance. We want to be equally important to those who use our services and those who do not. CDTA is a community driven organization, focused on connecting the Capital Region to their destination and each other for a greater good.

I'm convinced that we can accomplish anything we set our minds to because of our outstanding workforce, a forward thinking Board of Directors, and loyal customers. This attitude is leading us down new paths, towards new opportunities and we invite the Capital Region to come along for the ride.

Sincerely,

Carm Basile
Chief Executive Officer


CDTA

OUR MISSION

CDTA plans, finances, implements, and delivers transit services that take people where they want to go in the Capital Region safely, efficiently, and at a reasonable cost.

CDTA works to accomplish this mission by:

- Continually identifying ways to increase transit ridership and revenue.
- Taking a leadership role to help mold regional growth and improve the transportation network.
- Balancing regional needs for social service, congestion relief and basic access.
- Delivering a range of transportation services that meets a diversity of markets and customers.
- Developing innovative ways to attract and retain a high quality workforce.
- Identifying appropriate funding sources to meet the region's transportation needs.

OUR VISION

CDTA is a growing, vibrant company that seeks to continually increase ridership and the use of its facilities by providing services that people want and need.

CDTA delivers lifeline services to those who need them and provides a full range of transit options for the choice rider in the Capital Region.

CDTA plans for the mobility needs of the Capital Region with a predictable and reliable stream of funding sources to meet those needs.

CDTA is a multi-modal transportation provider, delivering comprehensive transit services, as well as a transportation demand management program that includes vanpool, carpool, and incentive-based ride sharing with a focus on city and suburban locations that have a demonstrated need.

CDTA is responsive to the environment and operates equipment that features the most efficient systems available. In addition, CDTA undertakes continual outreach to enroll the region's travelers in efforts to move toward an environmentally-responsible approach to travel.

CDTA works in partnership with state, regional, and local agencies to advocate for transit-oriented development in the Capital Region and is advancing infrastructure that will meet current and future mobility needs.

CDTA undertakes frequent assessments of the region and seeks community input to effectively position the organization to anticipate and meet market changes and expansions.

OUR VALUES

CDTA designs services people want and delivers services people can rely on. We treat customers, the community, and each other with respect and integrity.

CDTA is a flexible and innovative mobility company that responds to changing needs to keep the Capital Region. We are proactive in meeting the needs of our region. Stakeholder relations and input are integral to our planning and development efforts.

CDTA operates a financially-stable organization that places importance on cost-recovery and operating efficiency in order to deliver optimal service in the Capital Region.

CDTA takes a leadership role in helping to mold regional growth and advocate for mobility. CDTA works with local planning and business organizations to help shape regional growth in a way that provides congestion relief and basic access.

CDTA meets the needs of both the transit-dependent rider and the choice rider by delivering a wide range of transportation alternatives and by working to ensure that its services are easy to identify, use, and pay for.

CDTA helps employers connect their employees to the workplace, delivering commuter solutions that make daily work connections efficient, economical, and reliable.

CDTA employees are the heart and soul of the organization leading innovation and productivity. We promote a positive work environment by supporting each other through effective communication, teamwork, and an appreciation for our diverse abilities and contributions.

RIDERSHIP STATISTICS (FY 2015-2016):

Total Ridership	17,100,000
Fixed Route	16,800,000
STAR	325,000

FARES (EFFECTIVE APRIL 1, 2016):

Base Fare	$1.50
Day Pass	$4.00
31-day Rolling *Swiper*	$65.00
10 Trip Card	$13.00
STAR	$2.50

BUILDINGS AND FACILITIES:

- Administrative Headquarters, 110 Watervliet Avenue, Albany, NY 12206
- Schenectady Division, 2401 Maxon Road Extension, Schenectady 12308
- Troy Division, 40 Hoosick Street, Troy, NY 12180
- Rensselaer Rail Station, 525 East Street, Rensselaer, NY 12144
- Saratoga Springs Train Station, 26 Station Lane, Saratoga Springs, NY 12866
- Customer Service/Training Center, 85 Watervliet Avenue, Albany, NY 12206

SERVICE AREA:

Albany, Rensselaer, Saratoga and Schenectady Counties

Service Area Size	2,300 square miles
Service Area Population	769,000

OPERATING AND SERVICE DETAILS:

Employees	650
Total Number of Revenue Vehicles	306
Fixed Route Vehicles	228
Paratransit Vehicles (STAR)	31
Flex Vehicles	22
NX Commuter Coaches	14
Number of Bus Routes	50 (not including rural or seasonal)
Annual Vehicle Miles	9.5 million
Annual Vehicle Hours	650,000
Bus Stops	2,777
Passenger Shelters	261
Park and Ride Lots	29
Available Parking Spaces	1,655


LODGE'S
12 WASHINGTON AVE
CROSSGATES MALL
1264
6000

BOARD OF DIRECTORS

DAVID M. STACKROW

Chairperson, Represents Rensselaer County

David M. Stackrow is the Chairman of the CDTA Board of Directors and the CDTA Governance Committee. He has been a Board member since October 1995. Mr. Stackrow is President/Secretary and managing partner of Scott, Stackrow and Co., CPAs, P.C. He holds a Bachelor of Business Administration degree from Siena College, is an Independent Director of the Rensselaer Tobacco Asset Securitization Corporation, Trustee of the CDTA/ATU 1321 Pension Plan, Treasurer for the Challenger Learning Center of the Greater Capital Region, and he is a Past President of the LaSalle Institute Alumni Association, Past Board Chair of LaSalle Institute of Troy, New York, and a Past Grand Knight of the Rensselaer Council 267 Knights of Columbus. Mr. Stackrow is also active in the American Public Transportation Association (APTA) where he serves as a member of APTA's Board of Directors. He is Chair, APTA Transit Board Members Committee, Chair, APTA Audit Committee, and a member of APTA's Legislative, Diversity Council, Procurement Steering, Finance, Member Services, Human Resources, and Mid-sized Operations Committees. He is also an active member in APTA Task Forces on Member Collaboration, Member Consensus, Governance and Bylaws, Revenue, and CEO Search. David M. Stackrow was honored with the 2009 American Public Transportation Association Outstanding Board member of the year award. He resides in Poestenkill with his wife Karen and their two children.

GEORGEANNA LUSSIER

Vice-Chairperson, Represents Saratoga County

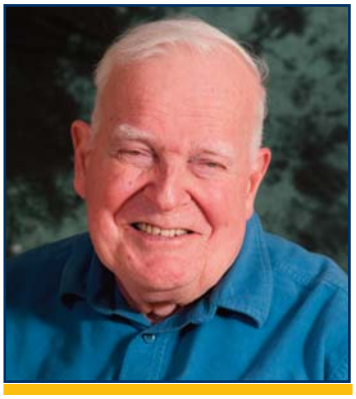
Georgeanna (Georgie) Lussier was appointed to the CDTA Board in May 2009. She is the Board's Vice Chairwoman and is a member of the board's Governance Committee and Planning and Stakeholder Relations Committee. She is a Senior Project Manager at Foit-Albert Associates Architecture, Engineering and Surveying, P.C. She received her Master of Science degree in environmental science and engineering from the Colorado School of Mines and bachelor's degrees in environmental science and geology from SUNY Plattsburgh. Ms. Lussier is an avid horse racing fan, partner with Epona Racing Stable and serves as a member of the New York Racing Association (NYRA) Board of Directors. She is a 2008 graduate of Leadership Saratoga, served one year on the Saratoga Springs Design Review Commission, and is actively involved with educational grant and scholarship programs for students in the STEM field. She lives with her family in Saratoga Springs.

JOSEPH M. SPAIRANA

Secretary, Represents Rensselaer County

Joseph M. Spairana, Jr., appointed to the CDTA Board in December 2008, is retired from the New York State Department of Transportation with 35 years of service. At the time of his retirement, Mr. Spairana was Engineer in Charge, responsible for construction operations for major roadway and bridge improvement projects throughout the Capital Region. Mr. Spairana serves on the Board of Directors of the Lansingburgh Boys and Girls Club and is active in their Futures and Events Committee. Mr. Spairana is a member of the Performance Oversight Committee and a former member of the Planning and Stakeholder Relations Committees. He is a lifelong resident of Rensselaer County and lives with his family in Wynantskill.

BOARD OF DIRECTORS



ARTHUR F. YOUNG, JR.

Treasurer, Represents Albany County

Arthur F. Young Jr., appointed to the CDTA Board in October 1995, is a retired officer of Key Bank of New York after more than 49 years in banking. At the time of his retirement from Key, Mr. Young was a Senior Vice President and Manager of the Key Bank's Legal and Recovery Division, Secretary of the bank's Board of Directors, President and CEO of Key Financial Services, and a Director of Key Leasing, Inc. Mr. Young is a Trustee, Investment Officer and past President of the J.O. Wells Albany Memorial Hospital Nursing Education Foundation, Director of VNA Albany Home Health Care Corp., Director and past Governor of the Albany Colony of Mayflower Descendants, Director and Elder of the New York State Society of Mayflower Descendants, Director and Treasurer of the Capital District Pop Warner Federation, Director of the Berkshire Family History Association, Trustee Director of Capital District Genealogy society and member of the Bethlehem Historical Association Executive Committee. Mr. Young is also a life member of Junior Chamber International, American Philatelic Society, United States Swimming, Pilgrim John Holland Society, Thomas Stanton Society, and Bruce Family International Society. Mr. Young has been a Certified Swim Official for high school and college swimming for 42 years and has served as a Deck Official at four United States Olympic Trials. Mr. Young has been the CDTA Treasurer since 1998, is a current member of the Performance Oversight Committee, past Chairman of the Performance Oversight and Stakeholder Relations Committee, a former member of the Audit committee and Chairman of the investment committee. He and his wife Anne reside in Delmar, New York.

NORMAN L. MILLER

Represents Schenectady County

Norman L. Miller has been a member of the CDTA Board since July 2006. Mr. Miller is president of Leadership Management of New York, Inc., a strategic development company that specializes in planning, organization and management development, executive leadership and team building. He retired from the United States Air Force with 33 years of service and serves as a member of the Schenectady Military Affairs Council. Mr. Miller is currently the Princetown Town Judge. He is a member of the Scotia Rotary Club and a founding member of the Albany County Safe Haven organization in Altamont. Active in his community, he was a member of the Princetown Comprehensive Planning Committee. He was a member of the 1988 Olympic Bobsled Coaching Staff. Mr. Miller is the author of "IceSpy", an espionage novel published in 1995. Mr. Miller is the Chairman of the CDTA Planning and Stakeholder Relations Committee. He and his wife reside in Princetown.

BOARD OF DIRECTORS

THOMAS M. OWENS

Represents Albany County

Thomas M. Owens, appointed to the CDTA Board in July 2008, serves as counsel to the Albany Port District Commission. A graduate of the U.S. Naval Academy (B.S.), Mr. Owens has also earned degrees from Georgetown University (M.A.) and Albany Law School (J.D.). He chairs the CDTA Performance Oversight Committee, is a member of the Governance Committee, and the Chairman of the Investment Committee. Mr. Owens resides in Bethlehem with his wife Theresa and their six children.

DENISE A FIGUEROA

Represents Albany County

Denise A. Figueroa, has been a CDTA Board member since December 2003. Ms. Figueroa is a founding member and current Executive Director of the Independent Living Center of the Hudson Valley, established in 1987. Ms. Figueroa is a Governor appointee to the Most Integrated Setting Coordinating Council and the Justice Center Advisory Board. She is the Former Chair of the NYS Independent Living Council and Former President of the National Council on Independent Living. She is also former Chair and current board member of the New York Association on Independent Living. She holds a M.S. from the University of San Francisco and a B.A. from Brooklyn College, City University of New York. Ms. Figueroa is one of the original members of the CDTA Disabled Advisory Committee. She resides in Cohoes.

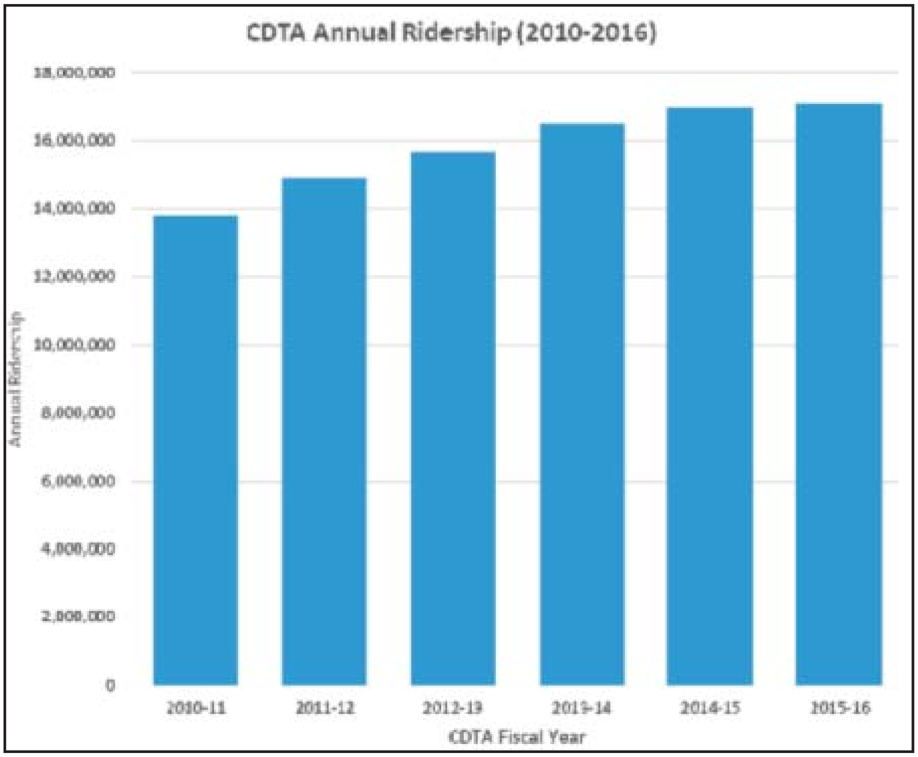
COREY BIXBY

Represents Labor (Non Voting Union Member)

Corey Bixby has been a CDTA Board member since June 2014. He serves as the Business Agent for the ATU Local 1321. Prior to becoming the Business Agent Mr. Bixby was a Schenectady operator for 10 years. Mr Bixby is originally from Corning, NY. He resides in Latham with his wife Maria, son Joseph and their 2 dogs.

Record-Breaking Numbers

CDTA's trend of record ridership continued during the fiscal year with a total boarding count of 17,106,322, marking the third consecutive year of new records. The most intriguing part of the increase is that it came as growth across the country slowed in the face of falling gasoline prices and new transportation options.



Ridership rose across the board on CDTA services, most notably on trunk routes that carry the largest number of people. Ridership has increased by nearly 25 % since 2009 and is fueled by Universal Access (UA) agreements with major employers and colleges that provide convenient access to CDTA's route network. UA agreements generate more than 4 million boardings annually or just shy of 25% of CDTA's total ridership. Development activities have added to CDTA's growing profile throughout the Capital Region. These improvements make transit a more desirable option, leading to an increase in transit-oriented development, which has pushed ridership to new heights.

Technology improvements including real time information and the proliferation of mobile devices have made riding easier and more convenient. The next step in the evolution of Capital Region transit, CDTA's *Navigator* made its debut this year with a group of more than 200 pilot riders sampling the new smartcard and mobile ticketing system.

Community Driven

CDTA's community programs grew to greater heights with our first-ever "Fall Festival" that brought community members to our facilities for a day of fun and education. We increased our outreach efforts by teaming up with the American Cancer Society, The United Way of the Greater Capital Region and we hosted a Make-A-Wish child for a special day at our garage.

Our "Fall Festival" was held at our administrative headquarters on October 15, 2015. The event reinforced CDTA's role as a community partner and fostered team building as we opened our doors to the community with tours, demonstrations, and a host of themed activities. The building was transformed with decorations, a live band, and demonstrations from the Albany Police and Fire Departments, The New York State Police Dive Team and the Albany County Sheriff's Department. A Wellness Way was also created with a focus on healthy lifestyle guidance from a number of non-profit organizations.

Partners from the business community, local elected officials, members of our veteran and senior populations along with 300 elementary school students from the surrounding area were in attendance. We provided the opportunity for the students to take home a pumpkin for decorating and a day-long experience hopefully they won't forget.

CDTA employees contributed their time, energy and creativity, helping to make the event a success. A scarecrow contest encouraged team building and friendly competition among departments. Many employees served as volunteers helping to strengthen and solidify the commitment of the CDTA team!

Think Pink & Go Blue!

A partnership with the American Cancer Society turned our BusPlus line pink for the month of October. To help with Breast Cancer Awareness month, CDTA turned one seat pink on each of its BusPlus buses to bring attention to the disease. Donations were raised in house with various fundraisers, CDTA employees also assembled teams for the annual "Making Strides" walk in Albany's Washington Park, where we provided transportation for walk participants.

We teamed up again with the American Cancer Society and its Cancer Services Program to spread the word about the importance of colon cancer screenings. CSP Volunteers rode select routes throughout the Capital Region sharing information about life-saving screenings. As part of the efforts, colorectal cancer awareness posters were displayed at CDTA shelters with information on how to get screened for free. Thanks to this partnership, more adults in the Capital Region had the opportunity to access cancer screenings.

ADA Silver Anniversary

CDTA commemorated the 25th anniversary of the Americans with Disabilities Act of 1990 (ADA) in July. CDTA's Special Transit Available by Request (STAR) service offers transportation for people who cannot use the regular route bus system because of a disability or impairment. STAR services are a lifeline for many Capital Region residents and especially those individuals with disabilities. Public transportation provides independence and access to jobs or simply to visit family and friends. STAR has been in operation longer than the ADA requirements and provided nearly 300,000 trips last year.

Transit Funding

FAST Act

President Barack Obama signed a five-year transportation infrastructure bill in December that will invest $61 billion in public transportation systems and authorizes more than $300 billion in infrastructure improvements over the next five years. The Fixing America's Surface Transportation Act is the first fully-funded, long-term surface transportation bill in 10 years. The predictability of the funding stream is key for long term strategic planning as it relates to CDTA's fleet and other capital needs.

Economic Development

CDTA earned its first Regional Economic Development Council Award when Governor Cuomo announced the winning projects in December. The awards included $650,000 to begin building the Uncle Sam Transit Center, which will improve services, connections and visibility in Downtown Troy. The new transit hub will be in a corner of the Uncle Sam Parking Garage serving nearly 4,000 customers daily with a projection of 1.2 million annual boardings.

Collective Bargaining Agreement Reached

CDTA's Board of Directors approved a new three-year contract for CDTA's unionized workforce in December. The agreement which was ratified overwhelmingly by Amalgamated Transit Union Local 1321 members provides good wages and benefits, while providing appropriate oversight regarding work assignment and service quality. Nearly 600 union-represented employees will be covered by the contract, which will run until June 2018.

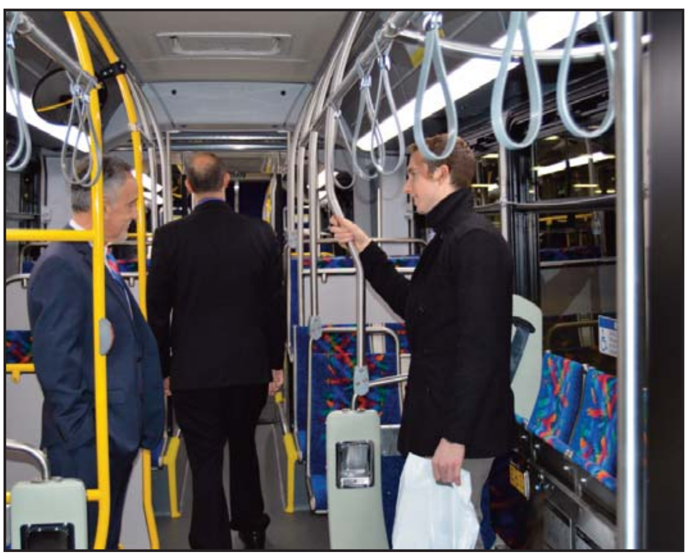
Workforce Development

We are developing an enhanced workforce development program to reinforce CDTA's mission, values and culture. We are focused on education, mentoring and coaching that will develop clear links with ongoing and new business initiatives. Our goal is to allow employees to realize their full potential and present opportunities that are clearly defined and targetable.

We are focused on creating a dynamic, innovative environment where success is measured by customer satisfaction. This will allow for continuous improvement in everything we do, build self-confidence across departments, demand accountability at all levels and enrich individual job satisfaction. This work is paramount to insuring that our culture is aligned with CDTA's strategic vision.

Buses That Bend

A new kind of bus hit the Capital Region streets in November with the return of articulated or “bendable” vehicles that enhance the customer experience through expanded capacity and upgraded amenities. Demand on many of CDTA’s busiest trunk routes dictated the need for the increased capacity. Two more articulated buses will be delivered in the fall. The articulated buses are used on our highest volume routes and they have been well received by customers and bus operators.



Navigating the Capital Region

CDTA's *Navigator* offers contactless smart cards and mobile ticketing alongside web-based portals that allow customers to "recharge" online and set up an account for secure and convenient card protection.

More than 500 customers have been testing the smart cards since spring. The pilot program tests card functionality, fare box acceptance and the customer experience. We have also opened the program up to the Albany Public Library, whose employees were the first group to come on board for testing.

Navigator is poised for expansion to additional customer groups. A second round of testing, which will focus on mobile applications will begin in the fall.

Universally Appealing

Our Universal Access program saw significant growth this year as the Capital Region business community took notice. We added SUNY Polytechnic Institute and Albany Medical Center, two of the region's largest employers, to our program over the past 12 months. The Albany Public Library also joined the UA ranks, raising the current total of partners to 13 universities, colleges and businesses. Those partnership agreements allow riders to access our entire route network at no charge to them through a negotiated contract.

CDTA FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Capital District Transportation Authority

We have audited the accompanying balance sheet of Capital District Transportation Authority (the Authority) (a Component Unit of the State of New York), a business-type activity, as of March 31, 2016, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle
As described in Note 3 to the financial statements, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Our opinion is not modified with respect to this item.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lumsden & McCormick, LLP

May 18, 2016

Management's Discussion and Analysis
For the Years Ended March 31, 2016 and 2015
(Unaudited)

INTRODUCTION

This Management Discussion and Analysis (MD&A) of the Capital District Transportation Authority (the Authority) provides an introduction and overview of the Authority's financial activities as of and for the years ended March 31, 2016, and should be read in conjunction with the financial statements and notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Following the MD&A are the financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses are recorded using the accrual basis of accounting, meaning they are recorded and recognized by the Authority as earned/incurred, regardless of when cash is received or paid.

The balance sheet presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Increases or decreases in net position serve as a relative indicator as to whether the Authority's financial position is strengthening or weakening over time.

The statement of revenues, expenses, and change in net position shows the results of the Authority's operations during the year and reflect both operating and non-operating activities. Changes in net position reflect the operational impact of the current year's activities on the financial position of the Authority.

The statement of cash flows provides an analysis of the sources and uses of cash. The cash flow statements shows net cash provided or used in operating, non-capital financing, capital and related financing, and investing activities.

The notes to the financial statements include additional information needed to provide a further understanding of the financial statements.

Effective April 1, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements require the Authority to include in its statement of net position its net pension liability and deferred outflows of resources for the pensions provided to Authority employees. The cumulative effect on the current statements is a decrease in beginning of year net position totaling $77,000 as detailed in Note 3 to the financial statements.

FINANCIAL HIGHLIGHTS

Financial Position

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

	2016	2015
Assets:		
Current assets	$ 41,167,775	$ 43,417,960
Capital assets, net	114,298,162	118,204,786
Total assets	155,465,937	161,622,746
Deferred outflows of resources from pension	1,014,299	-
Total assets and deferred outflows of resources	$ 156,480,236	$ 161,622,746
Liabilities:		
Current liabilities	$ 9,194,963	$ 8,537,749
Noncurrent liabilities	60,331,062	56,587,499
Total liabilities	69,526,025	65,125,248
Deferred inflows of resources from pension	125,689	-
Net position:		
Net investment in capital assets	103,598,427	106,107,048
Restricted for capital purchases	-	42,541
Unrestricted	(16,769,905)	(9,652,091)
Total net position	86,828,522	96,497,498
Total liabilities, deferred inflows of resources, and net position	$ 156,480,236	$ 161,622,746

Changes in net position over time serve as a useful indicator of the Authority's financial position. Net investment in capital assets represents the Authority's net capital assets, offset by outstanding balances of any related debt obligations attributable to acquisition of the capital asset. Negative unrestricted net position of $16.8 million and $9.7 million at March 31, 2016 and 2015 primarily results from the accrual of postemployment benefits other than pensions required by GASB Statement No. 45. As a result of the Authority's fiscal 2016 activities, net position at March 31, 2016 decreased $9.7 million from March 31, 2015.

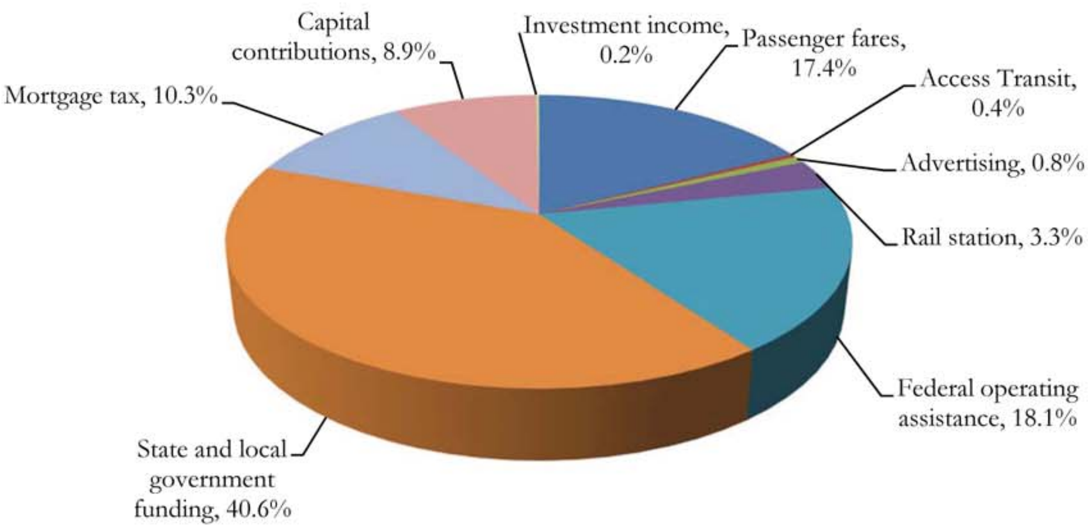
Current assets decreased $2.3 million in 2016 largely due to reductions in cash, receivables, and prepaid assets due to collection of accounts receivable and timing of payments. Capital assets decreased $3.9 million from 2015 as a result of depreciation exceeding capital additions of $10.9 million. Deferred outflows of resources, recorded in accordance with GASB Statements No. 68 and 71, total $1.0 million and consist primarily of pension payments made subsequent to the liability measurement date.

Total liabilities at March 31, 2016 increased $4.4 million primarily due to a $5.0 million increase in other postemployment benefits and recording the net pension liability of $0.7 million, offset by a reduction in capital lease obligations of $1.4 million due to regularly scheduled payments.

Revenue Summary

	2016	2015
Operating revenues:		
Passenger fares	$ 17,185,297	$ 17,325,473
Access Transit	388,521	332,156
Advertising	761,263	650,733
Rail station parking and rentals	3,315,837	3,253,626
Total operating revenues	21,650,918	21,561,988
Non-operating revenues:		
Federal operating assistance	17,949,081	15,762,159
State and local government funding	40,221,143	37,498,420
Mortgage recording tax	10,187,391	9,675,039
Investment income	187,688	320,424
Capital contributions	8,792,600	4,828,992
Total non-operating revenue	77,337,903	68,085,034
Total revenue	$ 98,988,821	$ 89,647,022

The chart below summarizes 2016 revenue by source and percentage of revenue in each category.



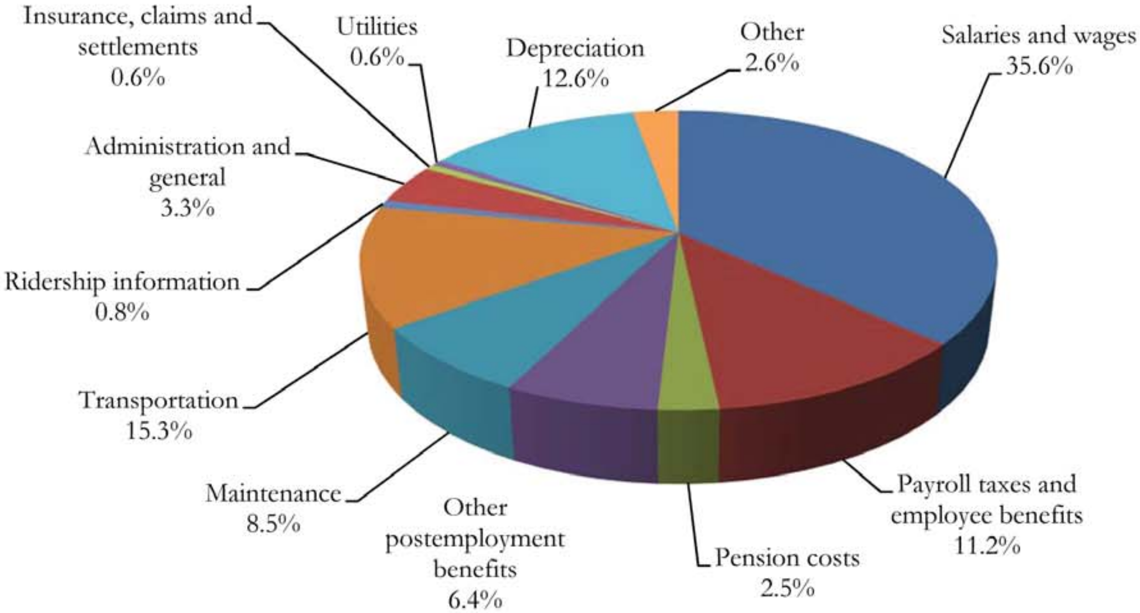
Operating revenues were consistent with 2015 as passenger fares remained unchanged year to year. Advertising revenue from advertising firms exceeded the minimum guarantee for the second consecutive year.

Non-operating revenue increased $9.3 million from 2015. With the exception of a $0.1 million decrease in investment earnings, all other non-operating revenue categories increased. Federal operating assistance increased by $2.2 million which includes $4.4 million of pass through funds for Adirondack Trailways. NYS operating assistance increased $2.7 million, which offset the reduction of federal operating assistance excluding the Adirondack Trailways funds. Capital contributions increased $4.0 million compared to 2015 due to purchase of additional buses. Mortgage recording tax also increased $0.5 million in 2016 compared to 2015.

Expense Summary

The table below shows a two year comparison of amounts expended by category followed by a chart summarizing expenses for the fiscal year ended March 31, 2016 by source and percentage.

	2016	2015
Operating expenses:		
Salaries and wages	$ 38,653,942	$ 36,484,155
Payroll taxes and employee benefits	12,122,281	11,997,659
Pension costs	2,706,230	2,947,048
Other postemployment benefits	6,902,518	5,671,146
Maintenance	9,255,109	7,103,138
Transportation	16,586,052	12,140,861
Ridership information	817,437	743,113
Administration and general	3,600,295	4,010,286
Insurance, claims and settlements	674,454	736,420
Utilities	697,643	939,093
	92,015,961	82,772,919
Depreciation	13,652,774	12,917,574
Total operating expenses	105,668,735	95,690,493
Non-operating expenses:		
Other non-operating expenses (revenues), net	2,911,870	1,227,396
Total expenses	$ 108,580,605	$ 96,917,889



In 2016, operating expenses increased 10.4% or $10.0 million to $105.7 million. However, after factoring out non-cash other postemployment benefits and depreciation, and Adirondack Trailways pass-through expenses, operating expenses increased $3.6 million compared to 2015. This expense increase is driven by additional personnel and maintenance costs that are partially offset by decreases in administration and utilities.

Salaries and wages increased by $2.2 million compared to 2015. This increase was anticipated since a contractual wage increase with the Amalgamated Transit Union (ATU) was negotiated during fiscal 2016. Maintenance expense increased by $2.2 million, which was also anticipated as a significant portion of the fixed-route fleet is well past its estimated 12-year useful life. The operating cost-per-mile of these vehicles is more than double that of most other vehicles in the fleet. The Authority anticipates additional state and federal funding will allow for faster replacement of older buses.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets, net of accumulated depreciation, are as follows:

	2016	2015
Land and improvements	$ 1,529,981	$ 1,529,981
Construction-in-progress	-	1,159,294
Buildings and improvements	50,324,686	53,079,317
Revenue equipment	58,770,320	57,538,853
Service equipment and vehicles	1,118,152	1,008,983
Furniture and equipment	2,555,023	3,888,358
	$ 114,298,162	$ 118,204,786

At March 31, 2016 and 2015, the Authority's capital assets net of depreciation totaled $114.3 million and $118.2 million, representing 73.5% of the Authority's total assets each year. Capital asset additions of $10.9 million in 2016 consisted primarily of revenue equipment offset by disposals (net of accumulated depreciation) totaling $1.2 million and depreciation of $13.7 million.

In prior years, the Authority entered into two capital lease agreements to purchase transit buses. Principal payments on the capital leases, which extend through November 2023, totaled $1.4 million in 2016 and 2015.

FACTORS IMPACTING THE AUTHORITY'S FUTURE

Based on one of the most important metrics, ridership, fiscal year 2016 was another successful year. Ridership exceeded 17 million for the third year in a row, again breaking the Authority's all-time record. Universal Access (UA) agreements continue to drive the ridership increase; however, the change from traditional fare payments to unlimited ridership sponsored by a school or employer is causing other customer revenue sources to decline. We anticipate the new fare collection system and UA contract renegotiations will allow us to close this gap.

Revenue subsidies such as New York State Operating Assistance (STOA) and Mortgage Recording Tax (MRT) increased $1.8 million and $0.5 million respectively for 2016. STOA in particular has been increasing each of the past few years after a period of level funding. This additional investment in our system by the State has allowed us to respond to the demand that carries ridership over 17 million.

During 2016 we negotiated a new collective bargaining agreement with ATU. The agreement provides raises for employees while also allowing us to mitigate costs associated with benefits and pension. It also allows us more predictability with a significant portion of our budget. Overall we are containing costs, but like other transit agencies, many expenses are not under our direct control.

Customers are piloting our new fare collection system. We expect the new fare collection system to be used widely throughout the region by the end of fiscal 2017. This system will allow the use of smart cards and eventually a mobile device for fare products. In modernizing this system, we expect to make the process of riding more convenient for customers.

Over the course of the next several years we will implement several significant projects, highlighted by two new Bus Rapid Transit (BRT) lines: River Corridor BRT and Washington/Western Ave BRT. Both are currently in the project development phase of the Small Starts Federal funding process anticipating full funding agreements for construction. We have also begun replacement of our vehicle communication system which aids in managing dispatch and operation of our fleet.

Ongoing concern continues to be the replacement of our revenue fleet. Many vehicles are past the estimated useful life and cost significantly more to operate. We have replaced buses each year; however not at the pace necessary to prevent overuse of newer vehicles to compensate for the age and expense of older ones.

REQUEST FOR INFORMATION

The management discussion and analysis is intended to provide general information related to Authority operations for fiscal year ended March 31, 2016. Questions concerning this information or requests for additional information can be directed to Michael P. Collins, Vice President of Finance & Administration, Capital District Transportation Authority, 110 Watervliet Avenue, Albany, New York 12206, or telephone 518-437-8330.

Balance Sheet

March 31, 2016

Assets	
Current assets:	
Cash	$ 9,291,738
Investments	21,501,090
Government grants receivable	4,398,725
Trade and other receivables	1,290,908
Advances to Capital District Transportation Committee	971,273
Materials, parts, and supplies	3,208,022
Prepaid expenses	506,019
	41,167,775
Noncurrent assets:	
Capital assets, net	114,298,162
Total assets	155,465,937
Deferred ouflows of resources	
Deferred outflows of resources from pension	1,014,299
Total assets and deferred outflows of resources	$ 156,480,236
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	$ 6,312,297
Current portion of capital lease obligations	1,434,638
Unearned passenger revenue	1,448,028
	9,194,963
Noncurrent liabilities:	
Capital lease obligations	9,265,097
Estimated provision for claims and settlements	8,837,800
Other postemployment benefits	41,506,279
Net pension liability	721,886
	60,331,062
Total liabilities	69,526,025
Deferred inflows of resources	
Deferred inflows of resources from pension	125,689
Net position	
Net investment in capital assets	103,598,427
Unrestricted	(16,769,905)
Total net position	86,828,522
Total liabilities, deferred inflows of resources, and net position	$ 156,480,236

See accompanying notes.

Statement of Revenues, Expenses and Change in Net Position

For the year ended March 31, 2016

Operating revenues:	
Passenger fares	$ 17,185,297
Access Transit	388,521
Advertising	761,263
Rail station parking and rentals	3,315,837
Total operating revenues	21,650,918
Operating expenses:	
Salaries and wages	38,653,942
Payroll taxes and employee benefits	12,122,281
Pension costs	2,706,230
Other postemployment benefits	6,902,518
Maintenance	9,255,109
Transportation	16,586,052
Ridership information	817,437
Administration and general	3,600,295
Insurance, claims and settlements	674,454
Utilities	697,643
Total operating expenses before depreciation	92,015,961
Operating loss before depreciation	(70,365,043)
Depreciation	(13,652,774)
Operating loss	(84,017,817)
Non-operating revenues (expenses):	
Federal operating assistance	17,949,081
State and local government funding	40,221,143
Mortgage recording tax	10,187,391
Investment income	187,688
Other non-operating revenues (expenses), net	(2,911,870)
Total non-operating net revenues	65,633,433
Change in net position before capital contributions	(18,384,384)
Capital contributions	8,792,600
Change in net position	(9,591,784)
Net position - beginning of year	96,497,498
Cumulative effect of restatement (Note 3)	(77,192)
Net position - beginning of year, as restated	96,420,306
Net position - end of year	$ 86,828,522

See accompanying notes.

Statement of Cash Flows

For the year ended March 31, 2016

Operating activities:		
Cash received from passengers	$	18,302,226
Cash payments to suppliers for goods and services		(31,041,288)
Cash payments to employees for salaries and wages		(55,642,072)
Other operating revenues received		4,465,621
Net operating activities		(63,915,513)
Non-capital financing activities:		
Operating assistance, governmental funding and mortgage recording tax received		68,357,775
Other non-operating expenses		(1,454,055)
Repayments from Capital District Transportation Committee		(260,166)
Net non-capital financing activities		66,643,554
Capital and related financing activities:		
Proceeds from sales of capital assets		16,995
Acquisition of capital assets		(10,918,965)
Payments for interest		(301,994)
Capital contributed under grants		8,792,600
Payments on capital lease obligations		(1,398,003)
Net capital and related financing activities		(3,809,367)
Investing activities:		
Interest received on investments		429,731
Proceeds from sales and maturities of investments		13,609,188
Purchases of investments		(13,690,508)
Net investing activities		348,411
Net change in cash		(732,915)
Cash - beginning of year		10,024,653
Cash - end of year	$	9,291,738
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$	(84,017,817)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation		13,652,774
Net pension activity		(243,916)
Other postemployment benefits		4,986,815
Changes in assets and liabilities:		
Trade and other receivables		1,036,772
Materials, parts, and supplies		67,752
Prepaid expenses		512,028
Accounts payable and accrued expenses		540,422
Unearned passenger revenue		80,157
Estimated provision for claims and settlements		(530,500)
Net cash used for operating activities	$	(63,915,513)

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1. Financial Reporting Entity:

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

The Authority is included in the basic financial statements of the State as an enterprise fund. In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the Authority's reporting entity is based on several criteria set forth in accounting standards, including legal standing, fiscal dependency, and financial accountability. The Authority's financial statements include, as blended component units, three public benefit corporations which have been created as operating subsidiaries of the Authority to provide mass transit omnibus operations in the counties of Albany, Schenectady, Rensselaer and Saratoga:

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

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

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

2. Summary of Significant Accounting Policies:

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus

The Authority reports as a special-purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

Use of Estimates

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

Cash

Cash management is governed by State laws and as established in the Authority's written policies. Cash resources must be deposited in FDIC-insured commercial banks located within the State. Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. At March 31, 2016, the Authority's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's agent in the Authority's name.

Investments

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

Materials, Parts, and Supplies

Materials, parts, and supplies are stated at average cost, net of an allowance for obsolescence of $350,000 at March 31, 2016.

To reduce its exposure to rising fuel costs, the Authority has entered into contracts that fix the prices of 168,000 gallons per month of certain vehicle fuels purchased from May 2015 through April 2016, and May 2016 through April 2018. It is probable the Authority will take delivery of the fuel as specified and, therefore, the contract is considered a normal purchase contract and not subject to the requirements of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances, and consist primarily of amounts due from services provided related to the Authority's operations and advertising. Management provides for probable uncollectible amounts based on collection history and aging of accounts. Balances outstanding after reasonable collection efforts are written off through a charge to allowance for bad debts and a credit to accounts receivable.

Capital Assets

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

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

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

Compensated Absences

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

Pensions

The Authority follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) to recognize the net pension liability, deferred outflows and deferred inflows of resources, pension expense, and information about and changes in the fiduciary net position on the same basis as reported by the defined benefit pension plan. The Authority has elected to participate in the New York State and Local Employees' Retirement System (ERS). ERS recognizes benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. More information on pension activity is included in Note 10.

Net Position

- *Net investment in capital assets* – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of the assets
- *Unrestricted* – net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the above restrictions and are available for general use of the Authority

Operating Revenues

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

Operating Assistance and Capital Contributions

The Authority receives operating assistance and capital contributions pursuant to various federal, state, and local government contracts and grant agreements. Operating assistance and capital contributions are recorded as revenue based on annual appropriations or when expenditures have been incurred in compliance with grant agreements. Operating assistance and capital contributions represent 69% of total revenue for the year ended March 31, 2016. A significant decrease in this funding may negatively impact future operations.

3. Change in Accounting Principle:

Effective April 1, 2015, the Authority adopted GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements address accounting and financial reporting for the pension provided to Authority employees and administered by ERS. The statements also require various note disclosures (Note 10) and required supplementary information. As a result, beginning of year net position has been restated as follows:

Net position previously reported, April 1, 2015	$	96,497,498
Net pension liability		(965,620)
Deferred outflows of resources for contributions made subsequent to the measurement date		888,428
Net position as restated	$	96,420,306

4. Cash and Investments:

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

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

The amount of investments by type and maturities at March 31, 2016 are presented below:

					Maturities (in Years)			
Investment type	Rates		Fair value	% of total		Less than 1		1-5
Certificates of Deposit	.5 - 1.8%	$	6,498,714	30.2%	$	5,669,632	$	829,082
U.S. Treasury notes	0 - 0.9%		6,567,647	30.5%		3,515,799		3,051,848
Federal Agency notes	2.0 - 5.5%		8,207,474	38.2%		1,924,972		6,282,502
Money market funds	0.01%		227,255	1.1%		227,255		-
		$	21,501,090	100.0%	$	11,337,658	$	10,163,432

The Authority limits its investments to those investment banks, firms and brokers who have been in business for over five years and have invested over $500 million in assets for their clients at the time of any investment made by the Authority.

Investments are designated for the following purposes:

Operating	$	2,801,716
Vehicle replacement		3,875,475
Capital projects and local match		2,753,143
Risk retention		3,924,334
Workers' compensation self-insurance		8,146,422
Total investments	$	21,501,090

- Operating funds are designated for future operating contingencies
- Vehicle replacement funds are designated for the future replacement of vehicles
- Capital projects and local match funds are designated to pay for future capital projects and provide the local share to match anticipated funding from federal and state grant funds
- Risk retention funds are designated to cover potential future self-insurance liability claims
- Workers' compensation self-insurance funds are designated to pay for future workers' compensation self-insurance claims and any retroactive premiums that come due on previous workers' compensation plans maintained with an insurance carrier

5. Capital Assets:

	April 1, 2015	Additions	Reclassifications and Disposals	March 31, 2016
Non-depreciable capital assets:				
Land and improvements	$ 1,529,981	$ -	$ -	$ 1,529,981
Construction-in-progress	1,159,294	-	(1,159,294)	-
Total non-depreciable capital assets	2,689,275	-	(1,159,294)	1,529,981
Depreciable capital assets:				
Buildings and improvements	94,186,252	306,020	-	94,492,272
Revenue equipment	133,336,182	10,177,365	(5,579,443)	137,934,104
Service equipment and vehicles	4,477,277	241,322	-	4,718,599
Furniture and equipment	17,270,122	194,258	-	17,464,380
Total depreciable capital assets	249,269,833	10,918,965	(5,579,443)	254,609,355
Less accumulated depreciation:				
Buildings and improvements	(41,106,935)	(3,060,651)	-	(44,167,586)
Revenue equipment	(75,797,329)	(8,932,377)	5,565,922	(79,163,784)
Service equipment and vehicles	(3,468,294)	(132,153)	-	(3,600,447)
Furniture and equipment	(13,381,764)	(1,527,593)	-	(14,909,357)
Total accumulated depreciation	(133,754,322)	(13,652,774)	5,565,922	(141,841,174)
Total depreciable capital assets, net	115,515,511	(2,733,809)	(13,521)	112,768,181
Total capital assets, net	$ 118,204,786	$ (2,733,809)	$ (1,172,815)	$ 114,298,162

6. Capital Lease Obligations:

In 2014, the Authority entered into a $6,900,000 Master Lease/Purchase agreement with a financial institution to acquire fifteen transit buses. Lease payments of $387,928, including interest at 2.33%, are due semi-annually from May 2014 through November 2023.

In 2011, the Authority entered into an $8,000,000 Master Equipment Lease/Purchase agreement with a financial institution to acquire twenty-five transit buses. The lease agreement consists of a one-year original term with nine consecutive renewal options through November 15, 2021, and contains a $1 purchase option, exercisable beginning November 2016. Lease payments of $462,071, including interest at 2.83%, are due semi-annually from May 2012 through November 2021.

Required lease payments subsequent to March 31, 2016 are as follows:

Years Ending March 31,	Principal	Interest
2017	$ 1,434,638	$ 265,359
2018	1,472,242	227,755
2019	1,510,841	189,157
2020	1,550,461	149,537
2021	1,591,129	108,868
2022-2024	3,140,424	111,285
	$ 10,699,735	$ 1,051,961

7. Public Support and Operating Assistance:

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

In addition to FTA funding, other non-operating revenues include the gross receipts tax, which is imposed by the State on gas and oil companies and allocated to public transportation operators, and the mortgage recording tax, which is a tax imposed on substantially all mortgages granted within the Authority's Transportation District and collected by the various counties. Public support and operating assistance recognized for the year ended March 31, 2016 were:

FTA:	
Operating assistance	$ 17,949,081
New York State:	
Public transit operating assistance	6,294,043
Gross receipts tax	32,010,100
Total New York State	38,304,143
Albany County:	
Mortgage recording tax	3,574,450
Operating assistance	1,075,437
Total Albany County	4,649,887
Rensselaer County:	
Mortgage recording tax	1,332,486
Operating assistance	446,661
Total Rensselaer County	1,779,147
Schenectady County:	
Mortgage recording tax	1,219,742
Operating assistance	316,305
Total Schenectady County	1,536,047
Saratoga County:	
Mortgage recording tax	4,060,713
Operating assistance	78,597
Total Saratoga County	4,139,310
	$ 68,357,615

8. Advances to Capital District Transportation Committee:

In accordance with an agreement between the Authority and the New York State Department of Transportation, the Authority functions as the "host agency" for the Capital District Transportation Committee (CDTC). As designated by this agreement, CDTC is the Capital District Regional Transportation Metropolitan Planning Organization and, as such, is the recipient of various Federal and State funded grants relating to regional transportation planning. The Committee's board is composed of elected and appointed officials from each of the four counties; from each of the eight cities in the four counties; from the New York State Department of Transportation; the Authority; the Capital District Regional Planning Commission; and a member representing the area's towns and villages. The Authority has no budgetary oversight and no responsibility for CDTC's deficits or debts. The Authority's financial statements do not include the assets, liabilities, revenues or expenses of CDTC.

The Authority's agreement with CDTC provides that the Authority assume certain responsibilities relating to grant management and accounting functions. Additionally, the Authority advances CDTC periodic working capital funds. Such advances, which do not bear interest, total $971,273 at March 31, 2016.

9. Postemployment Healthcare Benefits:

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

GASB Statement No. 45 requires that the Authority recognize the cost of other postemployment benefits (OPEB) during the periods when employees render the services that will ultimately entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

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

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (the Authority is using the maximum period of 30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding of the plan is less than the ARC. This liability is reflected on the balance sheets as other postemployment benefits. The Authority's Board of Directors has the authority to establish a funding policy for the plan. The current policy is to fund the plan to the extent of premium payments and reimbursements on a pay-as-you-go basis.

The following table summarizes the Authority's ARC, the amount actually contributed, and changes in the Authority's net OPEB obligation for the years ended March 31, 2016:

Annual required contribution		
Normal cost	$	3,473,108
Amortization of UAAL		4,080,555
Annual required contribution		7,553,663
Interest on OPEB obligation		1,460,779
ARC adjustment		(2,111,924)
Annual OPEB cost		6,902,518
Contributions made		(1,915,703)
Increase in net OPEB obligation		4,986,815
Net OPEB obligation - beginning of year		36,519,464
Net OPEB obligation - end of year	$	41,506,279

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

Year Ended March 31,		OPEB Cost	OPEB Cost Contributed		OPEB Obligation
2016	$	6,902,518	27.8%	$	41,506,279
2015	$	5,671,146	29.6%	$	36,519,464
2014	$	6,811,540	24.0%	$	32,529,152

As of April 1, 2015, based upon an interim valuation, the actuarial accrued liability for benefits was $75,609,481, all of which is unfunded. The annual payroll of employees covered by the Plan was $38,629,167, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 196%.

The actuarial valuation involves estimates of costs and the impact of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in healthcare costs and interest rates. The benefits will be subject to routine actuarial valuations in future years and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Similarly, the April 1, 2015 valuation reflected benefits and cost sharing in effect at the time. Any changes in these factors will impact the results of future valuations.

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

- Healthcare cost trend: 6.0% - 7.75% next year; prescriptions: 11.0% next year; ultimately declining to 3.886% in 2076
- Actuarial cost method: Projected unit credit
- Amortization method: 30 years, open, level dollar
- Discount rate: 4.0%
- Mortality: The sex-distinct RP-2014 Blue Collar Mortality Tables
- Turnover: Rates of turnover are based on the experience under the New York State Employees' Retirement System (ERS)
- Retirement incidence: Rates of retirement are based on the experience under ERS

- Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect postemployment healthcare benefits. Future retirees were assumed to elect coverage in medical plans at the following rates: CDPHP plan – 60%; MVP plan – 15%; Empire Plan – 25%
- Spousal coverage: 40% of future retirees are assumed to elect spousal coverage upon retirement, 30% of surviving spouses are assumed to continue coverage
- Per capita costs: All retiree plans are offered through the New York State Health Insurance Program (NYSHIP) Empire Plan

10. Pensions:

The Authority participates in ERS, a cost-sharing, multiple employer, public employee retirement system. ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: ERS provides retirement, disability, and death benefits for eligible members, including an automatic cost of living adjustment. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and employee's years of service, among other factors.

Contribution requirements: No employee contribution is required for those hired prior to July 27, 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined on or after July 27, 1976 through December 31, 2009. Participants hired on or after January 1, 2010 through March 31, 2012 contribute 3% of their gross salary during the length of employment. Contribution rates for participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. The Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Authority to the pension accumulation fund. For payments made in fiscal 2016, rates ranged from 10.5% to 18.8%.

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At March 31, 2016, the Authority reported a liability of $721,886 for its proportionate share of the net pension liability.

The net pension liability was measured as of March 31, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014. The Authority's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to ERS' total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2015 measurement date, the Authority's proportion was .0213687%.

For the year ended March 31, 2016, the Authority recognized pension expense of $593,329. At March 31, 2016, the Authority reported deferred outflows and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,759	$ -
Net difference between projected and actual earnings on pension plan investments	124,732	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	125,689
Authority contributions subsequent to the measurement date	865,808	-
	$ 1,014,299	$ 125,689

Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending March 31,	Net Deferred Inflows and Outflows of Resources
2017	$ 5,700
2018	5,700
2019	5,701
2020	5,701
	$ 22,802

Actuarial Assumptions

The actuarial assumptions used in the April 1, 2014 valuation, with update procedures used to roll forward the total pension liability to March 31, 2015, were based on the results of an actuarial experience study for the period April 1, 2005 to March 31, 2010. These assumptions are:

Inflation - 2.7%
Salary increases - 4.9%
Investment rate of return - 7.5% compounded annually, net of investment expense, including inflation
Mortality - Based on ERS experience from April 1, 2005 - March 31, 2010 with adjustments for mortality
improvements based on the Society of Actuaries' Scale MP-2014
Discount rate - 7.5%

The long-term expected rate of return on ERS's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.* Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class and ERS's target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	38%	7.3%
International equities	13%	8.5%
Private equities	10%	11.0%
Real estate	8%	8.3%
Domestic fixed income	2%	4.0%
Bonds and mortgages	18%	4.0%
Short-term	2%	2.3%
Other	9%	6.8%-8.6%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The Authority's proportionate share of its net pension liability is calculated using a discount rate of 7.5%. The impact of using a discount rate that is 1% lower (6.5%) than the current rate would result in a net pension liability of $4,811,682 and a 1% higher (8.5%) rate would result in a net pension asset of $2,730,916.

Deferred Compensation

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

Employees of Operating Subsidiaries

Union employees of the Authority's operating subsidiaries (blended component units) are covered by various pension plans (the Plans) that are sponsored by unions that represent those operating subsidiary employees. The Authority contributes to the plans based on negotiated benefits determined under various union agreements. Under these negotiated benefits, all employees with 60 days of service are eligible to participate in the Plans. Both the Authority and its employees contribute on a weekly basis. The Authority's contributions to the Plans are included in amounts recorded for pension expense and totaled $2,112,899 for the year ended March 31, 2016. Management has obtained a legal opinion which concludes that the Authority is not obligated to make any other payments to fund the benefits or to meet any expenses of administration, and in the event of termination, the Authority will have no obligation for further contributions to the plans. Therefore, net pension assets and liabilities of the plans are not recorded by the Authority.

11. Commitments and Contingencies:

Risk Management

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

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

Self-Insured Claims

The Authority assumes liability for personal injury and property damage claims up to $2 million per occurrence and workers' compensation claims up to $700,000 per occurrence. The Authority has excess insurance from commercial insurers to cover claims made in excess of these amounts, subject to a general liability coverage limit of $13 million per occurrence. Estimated liabilities for claims that are not covered by insurance have been reflected in the financial statements. Personal injury and property damage liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated by the Authority based on available information. Workers' compensation liabilities including an estimate of claims that have been incurred but not reported, are estimated based on an actuarial valuation dated April 19, 2016.

The Authority has designated risk reserves of $12,070,756 at March 31, 2016 (Note 4). The changes in the reported liabilities are as follows:

	April 1, 2015	Current Year Claims and Changes in Estimates	Claim Payments	**March 31, 2016**
Workers' compensation	$ 8,254,500	$ 1,796,500	$ 2,251,000	**$ 7,800,000**
Personal injury liability	$ 1,113,800	$ 192,000	$ 268,000	**$ 1,037,800**

Grants

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

Litigation

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

Commitments

At March 31, 2016, the Authority has commitments of $6.5 million for Bus Rapid Transit engineering and design and $11.4 million for equipment, to be funded primarily with government grants.

During 2016, the Authority exercised its option to purchase twelve transit buses totaling $5.9 million with delivery in 2017.

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

March 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2010	$ -	$ 80,721,207	$ (80,721,207)	0%	$ 33,160,008	243%
4/1/2012	$ -	$ 68,869,227	$ (68,869,227)	0%	$ 34,835,644	198%
4/1/2014	$ -	$ 70,561,109	$ (70,561,109)	0%	$ 36,510,733	193%

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Capital District Transportation Authority

We have audited, 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 balance sheet of Capital District Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2016, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2016.

Internal Control over Financial Reporting

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

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

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

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

May 18, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Capital District Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Capital District Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated May 18, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2016. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

May 18, 2016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