CAPITAL DISTRICT TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

FINANCIAL STATEMENTS

March 31, 2013

CAPITAL DISTRICT TRANSPORTATION AUTHORITY

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March 31, 2013

Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Capital District Transportation Authority

We have audited the accompanying balance sheets of Capital District Transportation Authority (the Authority) (a component unit of the State of New York) as of March 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related noted 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) on pages i through v (preceding the financial statements) and the schedule of funding progress for other postemployment benefits on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 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, 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 24, 2013

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

Management's Discussion and Analysis
For the Year Ended March 31, 2013
(Unaudited)

Introduction

This Management Discussion and Analysis (MD&A) of the Capital District Transportation Authority ("CDTA" or "Authority") provides an introduction to the major activities affecting the operations of the Authority and an overview of the financial performance and financial statements of CDTA for the years ended March 31, 2013, 2012 and 2011.

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 include the following: balance sheets; statements of revenues, expenses, and changes in net position; and statements of cash flows. The balance sheets provide a snapshot of CDTA's financial condition at March 31, 2013 and 2012. The statements of revenues, expenses, and changes in net position report the results of CDTA's operations and activities for the years ended March 31, 2013 and 2012. The statements of cash flows report CDTA's sources and uses of cash from operating, non-capital financing, capital and related financing, and investing activities for the years ended March 31, 2013 and 2012.

Financial Position

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

	2013	2012	2011
Assets:			
Current assets	$ 41,344,761	$ 44,639,785	$ 42,703,067
Capital assets, net	118,959,245	114,543,456	121,347,828
Total assets	$ 160,304,006	$ 159,183,241	$ 164,050,895
Liabilities and net position:			
Current liabilities	$ 7,214,897	$ 7,233,847	$ 6,102,678
Noncurrent liabilities	43,181,318	38,670,772	26,833,488
Total liabilities	50,396,215	45,904,619	32,936,166
Net position:			
Net investment in capital assets	111,661,923	114,543,456	121,347,828
Unrestricted	(1,754,132)	(1,264,834)	9,766,901
Total net position	109,907,791	113,278,622	131,114,729
Total liabilities and net position	$ 160,304,006	$ 159,183,241	$ 164,050,895

Current assets in 2012 were higher compared to 2013 and 2011 primarily because 2012 included restricted investments of approximately $8 million received under a vehicle replacement leasing arrangement. These funds were used to purchase capital assets during 2013. These changes in current assets were partially offset by variances in grants receivable due to the timing of receipts, as well as changes in investments as reserves used to fund 2012 operations were replenished in 2013. Advances to the Capital District Transportation Committee (CDTC) increased $.6 million in 2013 to provide cash flow for several new substantial projects.

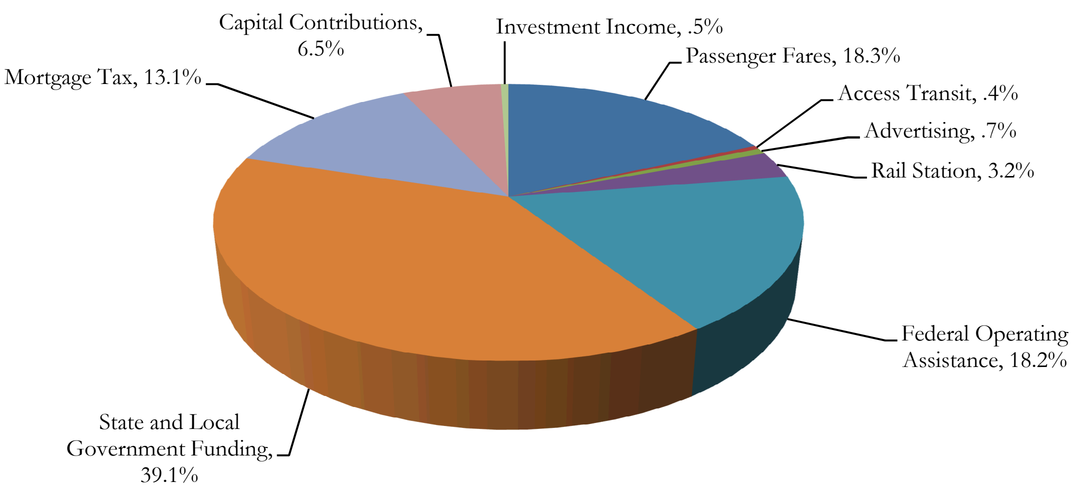
The large variance in capital assets is due to the timing of bus purchases. In addition to the vehicle replacement leasing arrangement expenditures in 2013 previously mentioned, 40 vehicles were purchased in 2011 with the receipt of American Recovery and Reinvestment Act (ARRA) funds. No vehicles were purchased in 2012.

Total liabilities at March 31, 2013 increased $4.5 million compared to 2012 resulting primarily from an increase of $4.8 million in the obligation for postemployment benefits other than pensions (GASB 45). An increase in the estimated provision for claims and settlements liability of $.4 million for 2013 was offset by a decrease in lease obligations of $.7 million due to payments made during the year.

In 2012, the $8 million vehicle replacement leasing arrangement, along with an increase in the obligation for postemployment benefits other than pensions totaling $4.7 million, resulted in an increase in liabilities of approximately $13.0 million from 2011.

Revenue Summary

The chart below summarizes the 2013 revenue by source and is followed by a chart showing the amounts associated with each category.



Overall operating revenue increased $.8 million from 2012 and surpassed the $20 million mark for the first time in the Authority's history. Bus passengers and rail station parking revenue increased over $1.1 million from 2012, but was offset by the continued decrease in Access Transit contract revenue of $.3 million and advertising revenue of $.1 million.

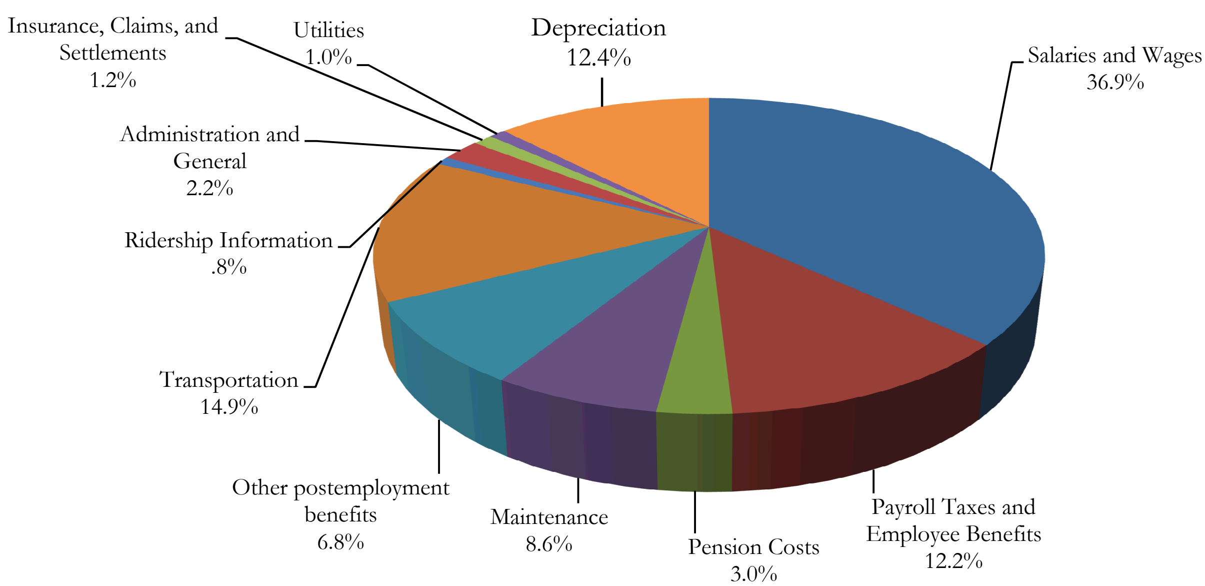
Non-operating revenue, which consists primarily of government allocations and mortgage recording tax increased $14.2 million from 2012. Much of this was related to the timing of projects and expenses funded by government grants. There was also a one-time grant award to replace the roof at the Albany Facility located at 110 Watervliet Avenue. Mortgage recording taxes increased $3.4 million as a result of an increase in property transactions within the Capital District.

In 2012, operating revenues increased approximately $1 million primarily due to service enhancements like Bus Plus and Albany Route Restructuring which increased ridership, while non-operating revenue dropped 26% due to timing of projects and decreases in mortgage tax revenue.

	2013	2012	2011
Operating revenue:			
Passenger fares	$ 16,736,225	$ 15,807,301	$ 15,034,484
Access Transit	379,583	637,969	906,663
Advertising	605,562	716,603	549,333
Rail Stations	2,886,772	2,689,461	2,383,712
Total operating revenues	20,608,142	19,851,334	18,874,192
Non-operating revenue:			
Capital contributions	5,945,986	2,152,542	23,652,536
Federal operating assistance	16,615,654	11,457,345	9,794,690
State and local government funding	35,714,290	32,999,033	33,056,961
Mortgage tax	11,994,288	8,584,578	9,602,544
Investment income and other	452,047	1,308,617	872,019
Total non-operating revenue	70,722,265	56,502,115	76,978,750
Total revenue	$ 91,330,407	$ 76,353,449	$ 95,852,942

Expense Summary

Total expenses increased $.5 million from 2012 and if excluding depreciation, operating expenses increased $.3 million or .4%. The table below provides an overview of the 2013 expenses and is followed by a chart showing a three year comparison of amounts expended by category.



	2013	2012	2011
Expenses:			
Salaries and wages	$ 34,903,763	$ 34,617,849	$ 33,316,283
Payroll taxes and employee benefits	11,568,835	11,908,803	10,848,153
Pension costs	2,861,439	2,780,380	2,471,812
Other postemployment benefits	6,444,593	6,274,876	7,480,192
Maintenance	8,133,548	6,521,037	6,779,617
Transportation	14,144,479	14,148,975	9,446,836
Ridership information	780,997	589,946	494,655
Administration and general	2,101,256	3,877,836	3,274,610
Insurance, claims and settlements	1,102,400	908,516	1,475,973
Utilities	910,952	988,293	1,213,312
	82,952,262	82,616,511	76,801,443
Depreciation	11,748,976	11,573,045	12,107,530
Total expenses	$ 94,701,238	$ 94,189,556	$ 88,908,973

Overall, total expenses remained consistent from 2012 to 2013. Despite a contractual 3% wage increase in 2013, salaries and wages increased by a nominal $.3 million while payroll taxes and employee benefits decreased by $0.3 million. This reflects rightsizing efforts to perform the same work with less people, resulting in a reduction in employee benefits but an increase in overtime costs. There was also a decrease in expenses due to the loss of Access Transit contracts. Utilities decreased for the second straight year, which shows the benefits of new lighting fixtures and solar roof components.

Maintenance expenses increased $1.6 million, primarily due to a reclassification of maintenance expenses to better allocate expenses previously charged to administration and general expense. The increase was also due to an additional maintenance required as a result of having over 60 vehicles past their useful-life.

Total expenses increased $5.3 million in 2012 compared to 2011, $3.5 million of which is due to contracted transportation and facilitation arrangements with the New York State Department of Transportation (NYSDOT) and Adirondack Trailways (ATL). ATL was reimbursed for two years of supplemental public transportation service during 2012; there was no reimbursement of this program in 2011. Additionally, the use of taxis to help manage the increasing demand for STAR (Special Transit Available by Request), a para-transit service offering transportation alternatives to people with disabilities or impairments, increased expenses by $1 million in 2012.

Capital Assets

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

	2013	2012	2011
Land and improvements	$ 1,529,981	$ 1,529,981	$ 1,529,981
Construction in progress	2,239,962	1,714,884	1,431,073
Buildings and improvements	55,437,623	55,437,703	57,420,991
Revenue equipment	51,614,095	46,541,603	51,013,192
Service equipment and vehicles	1,081,996	1,256,109	1,380,809
Furniture and equipment	7,055,588	8,063,176	8,571,782
	$ 118,959,245	$ 114,543,456	$ 121,347,828

Capital asset additions, consisting primarily of revenue and other equipment, totaled $16.2 million and $4.8 million in 2013 and 2012, offset by disposals of buses and vehicles totaling $6.4 million and $4.9 million, in 2013 and 2012, respectively.

Factors Impacting the Authority's Future:

Several major factors will impact the Authority's future:

This past year was very successful with significant increases in ridership and revenue that are expected to continue into next year. Total ridership was 15,675,079, the highest volume in 28 years. This represents an increase of 5% over 2012, or about 759,000 boardings. Customer revenue totaled $16.7 million, an increase of 6% from last year.

This success was built from new and restructured programs that make services more attractive, and include swiper cards and information programs, real time information on Bus Plus, web site improvements and updates, and mobile applications supporting both existing and prospective customers. Universal Access arrangements have been significantly expanded not only with colleges, but also with Capital Region employers. Considerable expansion of these programs is anticipated again next year.

Two years of rightsizing operations has achieved the intended results. Employment is now at a proper level to meet service requirements and project commitments. Additionally, utility and fuel expenses have been reduced based on improved fleet management practices.

State Operating Assistance (STOA) did not increase for fiscal 2013; however, efforts will be made to work with the State to increase this assistance for next year. STOA accounts for about 50% of the Authority's operating budget, and based on increasing ridership, it is very important to continue efforts to expand services to meet the travel demands of the Capital Region. It is also important to note that 70% of customers use the Authority's services to get to and from work.

Mortgage Recording Tax (MRT) is an important revenue source that rebounded in 2013 after several down years. This improvement is expected to continue. Based on improved economic and home sales data received from the State relative to the Capital Region, a 17% increase in MRT is projected for 2014.

The Authority maintains a capital budget plan which addresses capital needs over the next five years. A critical funding component of this plan is federal aid. After several years of continuing resolutions by Congress to fund the federal capital grant program, federal legislation covering two years was recently passed. The future of federal aid remains uncertain; therefore, the Authority continues to meet with elected officials on this matter. At the same time, the Authority is considering two more Bus Rapid Transit (BRT) corridors for limited stop services that mimic light rail. The Washington/Western Avenue BRT corridor and River Front BRT Corridor are two heavily travelled routes that will see increases in ridership, along with services enhancements, when these programs are implemented.

The capital budget plan also projects fleet replacement requirements. As the Authority continues to replace buses every year, the plan has been modified to take into consideration the improved quality of new buses as well as the marked improvement in fleet maintenance. Although dedicated funding remains a concern, financing of another bus order is planned for 2014 in accordance with the fleet replacement plan.

Request for Information

The Management Discussion and Analysis is intended to provide general information related to operations for fiscal year ended March 31, 2013. 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 Sheets

March 31,	2013	2012
Assets		
Current assets:		
Cash	$ 6,046,536	$ 6,144,177
Investments	24,184,132	20,771,663
Restricted investments	-	7,987,610
Receivables:		
Mortgage tax	892,500	774,197
Federal grants	3,154,690	2,591,079
State grants	853,713	898,905
Trade and other	1,774,593	1,285,205
Advances to related party	1,227,946	640,486
Materials, parts and supplies	2,257,918	2,560,062
Prepaid expenses	952,733	986,401
	41,344,761	44,639,785
Noncurrent assets:		
Capital assets, net (note 5)	118,959,245	114,543,456
Total assets	$ 160,304,006	$ 159,183,241
Liabilities		
Current liabilities:		
Accounts payable	$ 1,565,120	$ 1,833,532
Current portion of obligations under lease/purchase	722,705	702,678
Accrued expenses	3,768,397	3,761,426
Unearned passenger revenue	1,158,675	936,211
	7,214,897	7,233,847
Noncurrent liabilities:		
Obligations under lease/purchase	6,574,617	7,297,322
Estimated provision for claims and settlements	9,257,100	8,841,800
Other postemployment benefits	27,349,601	22,531,650
	43,181,318	38,670,772
Total liabilities	50,396,215	45,904,619
Net Position		
Net investment in capital assets	111,661,923	114,543,456
Unrestricted	(1,754,132)	(1,264,834)
Total net position	109,907,791	113,278,622
Total liabilities and net position	$ 160,304,006	$ 159,183,241

See accompanying notes.

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended March 31,	2013	2012
Operating revenues:		
Passenger	$ 16,736,225	$ 15,807,301
Access Transit	379,583	637,969
Advertising	605,562	716,603
Rail station parking and rentals	2,886,772	2,689,461
Total operating revenues	20,608,142	19,851,334
Operating expenses:		
Salaries and wages	34,903,763	34,617,849
Payroll taxes and employee benefits	11,568,835	11,908,803
Pension costs	2,861,439	2,780,380
Other postemployment benefits	6,444,593	6,274,876
Maintenance	8,133,548	6,521,037
Transportation	14,144,479	14,148,975
Ridership information	780,997	589,946
Administration and general	2,101,256	3,877,836
Insurance, claims and settlements	1,102,400	908,516
Utilities	910,952	988,293
Total operating expenses before depreciation	82,952,262	82,616,511
Operating loss before depreciation	(62,344,120)	(62,765,177)
Depreciation	(11,748,976)	(11,573,045)
Operating loss	(74,093,096)	(74,338,222)
Non-operating revenues (expenses):		
Federal operating assistance	16,615,654	11,457,345
State and local government funding	35,714,290	32,999,033
Mortgage tax	11,994,288	8,584,578
Investment income	457,654	1,038,663
Other non-operating revenues (expenses)	(5,607)	269,954
Total non-operating revenues (expenses)	64,776,279	54,349,573
Change in net position before capital contributions	(9,316,817)	(19,988,649)
Capital contributions	5,945,986	2,152,542
Change in net position	(3,370,831)	(17,836,107)
Net position - beginning of year	113,278,622	131,114,729
Net position - end of year	$ 109,907,791	$ 113,278,622

See accompanying notes.

Statements of Cash Flows

For the years ended March 31,	2013	2012
Operating activities:		
Cash received from passengers	$ 16,469,301	$ 15,925,083
Cash payments to suppliers for goods and services	(35,996,964)	(36,664,010)
Cash payments to employees for salaries and wages	(41,647,676)	(41,550,215)
Other operating revenues received	3,871,917	4,044,033
Net operating activities	(57,303,422)	(58,245,109)
Non-capital financing activities:		
Operating assistance, governmental funding and mortgage tax received	63,687,510	57,085,147
Other non-operating revenues received	192,006	213,635
Advances received from (paid to) related party	(587,460)	93,514
Payments for interest	(221,463)	-
Net non-capital financing activities	63,070,593	57,392,296
Capital and related financing activities:		
Proceeds from sales of capital assets	82,013	56,398
Acquisition of capital assets	(16,210,537)	(4,768,752)
Capital contributed under grants	5,945,986	2,152,542
Use of restricted investments	8,000,000	-
Payments on obligations under lease/purchase	(702,678)	-
Net capital and related financing activities	(2,885,216)	(2,559,812)
Investing activities:		
Interest received on investments	449,592	536,462
Proceeds from sales and maturities of investments	11,833,015	11,236,700
Purchases of investments	(15,262,203)	(6,959,114)
Net investing activities	(2,979,596)	4,814,048
Net change in cash	(97,641)	1,401,423
Cash - beginning of year	6,144,177	4,742,754
Cash - end of year	$ 6,046,536	$ 6,144,177
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (74,093,096)	$ (74,338,222)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,748,976	11,573,045
Other postemployment benefits	4,817,951	4,750,762
Changes in assets and liabilities:		
Trade and other receivables	(489,388)	49,280
Materials, parts and supplies	302,144	47,426
Prepaid expenses	33,668	(545,091)
Accounts payable	(268,412)	134,314
Accrued expenses	6,971	225,675
Unearned passenger revenue	222,464	68,502
Estimated provision for claims and settlements	415,300	(210,800)
Net cash used for operating activities	$ (57,303,422)	$ (58,245,109)

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 New York State, with a provision for other counties to elect to participate. The properties and income of the Authority are exempt from all Federal and State income and franchise taxes under the provisions of the enabling legislation.

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

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

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

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

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

2. Summary of Significant Accounting Policies:

Basis of Presentation

The financial statements of the Authority are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

Measurement Focus

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses, and changes in net 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.

Investments

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

Materials, Parts and Supplies

Materials, parts and supplies are stated at average cost, net of an allowance for obsolescence of approximately $350,000 at March 31, 2013 and 2012.

Restricted Investments

Restricted investments consisted primarily of fully secured corporate bonds maturing June 22, 2012, and were held in a custodial account used for transit equipment purchased through a lease/purchase agreement with a financial institution (Note 6). The amount was stated at cost which approximated fair value at March 31, 2012.

Capital Assets

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

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

	Capitalization Policy	Estimated Useful Life
Buildings and improvements	$5,000	10-40 years
Revenue equipment	$5,000	4-12 years
Service equipment and vehicles	$5,000	3-7 years
Furniture and 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 employees are reimbursed for sixty percent of all accumulated sick days, up to a stated maximum, as specified in contractual agreements.

Net Position

- *Net investment in capital assets* – consists of net capital assets typically reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of the asset.
- *Restricted net position* – consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets whose use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Currently, there is no restricted net position.
- *Unrestricted* – The net amounts 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 revenues are primarily comprised of revenues earned from facilitating transportation services for Medicaid qualified individuals. Rail station parking and rental revenues are comprised of parking receipts and rentals earned at the Authority's Rensselaer and Saratoga Rail Stations.

Capital Contributions

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

3. Change in Accounting Principle:

Effective April 1, 2012, the Authority adopted GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement requires reporting of deferred outflows and inflows of resources separately from assets and liabilities and replaces net assets with net position. In addition, certain items previously reported as assets and liabilities are now recognized as outflows or inflows of resources. Other than terminology changes, GASB No. 63 had no impact on the Authority's financial position or results of operation.

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

The amount of investments by type and maturities at March 31, 2013 and 2012 are presented below:

March 31, 2013

				Maturities (in Years)		
Investment type	**Rates**	**Fair value**	**% of total**	**Less than 1**	**1-5**	**5-9**
Certificates of Deposit	**0.3-1.5%**	**$ 5,855,829**	**24.2%**	**$ 4,608,017**	**$ 1,247,812**	**$ -**
U.S. Treasury Notes	**0%**	**3,249,835**	**13.4%**	**3,249,835**	**-**	**-**
Federal Agency notes	**0-5.5%**	**14,832,448**	**61.4%**	**4,861,905**	**7,534,230**	**2,436,313**
Money market funds	**0.01%**	**246,020**	**1.0%**	**246,020**	**-**	**-**
		$ 24,184,132	**100%**	**$ 12,965,777**	**$ 8,782,042**	**$ 2,436,313**

March 31, 2012

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

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

Investments are designated for the following purposes:

	2013	2012
Operating	**$ 6,210,703**	$ 2,993,902
Vehicle replacement	**2,455,457**	2,930,249
Capital projects and local match	**1,568,165**	1,355,976
Risk retention	**5,813,940**	5,634,108
Workers' compensation self-insurance	**8,135,867**	7,857,428
Total investments	**$ 24,184,132**	$ 20,771,663

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

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of March 31, 2013 and 2012, none of the Authority's bank deposits were exposed to custodial credit risk.

5. Capital Assets:

	April 1, 2012	Additions	Reclassifications and Disposals	**March 31, 2013**
Non-depreciable capital assets:				
Land and improvements	$ 1,529,981	$ -	$ -	**$ 1,529,981**
Construction-in-progress	1,714,884	525,078	-	**2,239,962**
Total non-depreciable assets	3,244,865	525,078	-	**3,769,943**
Depreciable capital assets:				
Building and improvements	87,893,338	2,779,286	-	**90,672,624**
Revenue equipment	115,757,620	11,849,531	(6,422,966)	**121,184,185**
Service equipment and vehicles	4,366,243	26,879	-	**4,393,122**
Furniture and equipment	15,701,505	1,029,763	-	**16,731,268**
Total depreciable assets	223,718,706	15,685,459	(6,422,966)	**232,981,199**
Less accumulated depreciation:				
Building and improvements	(32,455,635)	(2,779,366)	-	**(35,235,001)**
Revenue equipment	(69,216,017)	(6,731,267)	6,377,194	**(69,570,090)**
Service equipment and vehicles	(3,110,134)	(200,992)	-	**(3,311,126)**
Furniture and equipment	(7,638,329)	(2,037,351)	-	**(9,675,680)**
Total accumulated depreciation	(112,420,115)	(11,748,976)	6,377,194	**(117,791,897)**
Total depreciable capital assets, net	111,298,591	3,936,483	(45,772)	**115,189,302**
Total capital assets, net	$ 114,543,456	$ 4,461,561	$ (45,772)	**$ 118,959,245**

	April 1, 2011	Additions	Reclassifications and Disposals	March 31, 2012
Non-depreciable capital assets:				
Land and improvements	$ 1,529,981	$ -	$ -	$ 1,529,981
Construction-in-progress	1,431,073	283,811	-	1,714,884
Total non-depreciable assets	2,961,054	283,811	-	3,244,865
Depreciable capital assets:				
Building and improvements	87,205,044	688,294	-	87,893,338
Revenue equipment	118,268,056	2,379,600	(4,890,036)	115,757,620
Service equipment and vehicles	4,277,982	88,261	-	4,366,243
Furniture and equipment	14,372,776	1,328,729	-	15,701,505
Total depreciable assets	224,123,858	4,484,884	(4,890,036)	223,718,706
Less accumulated depreciation:				
Building and improvements	(29,784,053)	(2,671,582)	-	(32,455,635)
Revenue equipment	(67,254,864)	(6,851,167)	4,890,014	(69,216,017)
Service equipment and vehicles	(2,897,173)	(212,961)	-	(3,110,134)
Furniture and equipment	(5,800,994)	(1,837,335)	-	(7,638,329)
Total accumulated depreciation	(105,737,084)	(11,573,045)	4,890,014	(112,420,115)
Total depreciable capital assets, net	118,386,774	(7,088,161)	(22)	111,298,591
Total capital assets, net	$ 121,347,828	$ (6,804,350)	$ (22)	$ 114,543,456

6. Obligations Under Lease/Purchase:

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

Required lease payments subsequent to March 31, 2013 are as follows:

Years Ending March 31,	Principal	Interest
2014	$ 722,705	$ 201,437
2015	743,302	180,840
2016	764,486	159,656
2017	786,274	137,868
2018	808,683	115,459
2019-2022	3,471,872	224,696
	$ 7,297,322	$ 1,019,956

7. Public Support and Operating Assistance:

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

In addition to FTA funding, other non-operating revenues include the gross receipts tax, which is imposed by New York State on gas and oil companies and allocated to public transportation operators, and the mortgage recording tax, which is a tax imposed on substantially all mortgages granted within the Authority's Transportation District and collected by the various counties. Public support and operating assistance recognized for the years ended March 31, 2013 and 2012 were:

	2013	2012
FTA:		
Operating assistance	$ 16,615,654	$ 11,457,345
New York State:		
Public transit operating assistance	4,510,491	3,823,034
Gross receipts tax	29,286,800	27,259,000
Total New York State	33,797,291	31,082,034
Albany County:		
Mortgage recording tax	4,440,898	3,021,971
Operating assistance	1,075,437	1,075,437
Total Albany County	5,516,335	4,097,408
Rensselaer County:		
Mortgage recording tax	1,602,670	1,310,472
Operating assistance	446,661	446,661
Total Rensselaer County	2,049,331	1,757,133
Schenectady County:		
Mortgage recording tax	1,494,578	1,069,650
Operating assistance	316,305	316,305
Total Schenectady County	1,810,883	1,385,955
Saratoga County:		
Mortgage recording tax	4,456,142	3,182,485
Operating assistance	78,596	78,596
Total Saratoga County	4,534,738	3,261,081
	$ 64,324,232	$ 53,040,956

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 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 $1,227,946 and $640,486 at March 31, 2013 and 2012.

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

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 postemployment benefits during the periods when employees render the services that will ultimately entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

- 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 allowed by GASB No. 45 of 30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding of the plan is less than the ARC. This liability is reflected on the balance sheets as other postemployment benefits. The Authority's Board of Directors has the authority to establish a funding policy for the plan. The current policy is to fund the plan to the extent of premium payments and reimbursements on a pay as you go basis.

A valuation of the Authority's postretirement healthcare benefits plan was performed for the purpose of determining its obligations and cost in accordance with GASB No. 45. The valuation reflects changes whereby as of September 2011, all current and future Medicare-eligible retirees may elect coverage through the CDPHP and MVP Medicare Advantage Plans, and upon Medicare eligibility, 45% of eligible retirees are assumed to move to a Medicare Advantage Plan. All other assumptions and plan provisions remain the same.

The following table summarizes the Authority's ARC, the amount actually contributed, and changes in the Authority's net OPEB obligation for the years ended March 31, 2013 and 2012:

	2013	2012
Annual required contribution		
Normal cost	$ 3,100,480	$ 2,972,120
Amortization of UAAL	3,745,855	3,614,986
Annual required contribution	6,846,335	6,587,106
Interest on OPEB obligation	901,266	711,431
ARC adjustment	(1,303,008)	(1,023,661)
Annual OPEB cost	6,444,593	6,274,876
Contributions made	(1,626,642)	(1,524,114)
Increase in net OPEB obligation	4,817,951	4,750,762
Net OPEB obligation - beginning of year	22,531,650	17,780,888
Net OPEB obligation - end of year	$ 27,349,601	$ 22,531,650

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
2013	$ 6,444,593	25.2%	$ 27,349,601
2012	$ 6,274,876	24.3%	$ 22,531,650
2011	$ 7,480,192	20.9%	$ 17,780,888

As of April 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $68,869,227, all of which is unfunded. The annual payroll of employees covered by the Plan was $34,835,644, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 198%.

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, 2012 and 2011 valuations reflected benefits and cost sharing in effect at the time. Any changes in these factors will impact the results of future valuations.

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

- Healthcare cost trend: 7.0% - 8.5% next year, ultimately declining to 5.0% in 2020
- Actuarial cost method: Projected unit credit
- Amortization method: 30 years, open, level dollar
- Discount rate: 4.0%
- Mortality: RP-2000 Mortality Table
- Turnover: T-7 of the Pension Actuary's Handbook for Union employees and T-3 of the Pension Actuary's handbook for Authority employees
- Retirement incidence: Rates of retirement are based on the experience under the New York State and Local Employees' Retirement System (ERS)
- Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect postemployment healthcare benefits. It was assumed that upon Medicare eligibility, 45% of eligible retirees will move to a Medicare Plan.
- Spousal coverage: 40% of future retirees are assumed to elect spousal coverage upon retirement
- Per capita costs: All retiree plans are offered through the New York State Health Insurance Program (NYSHIP) Empire Plan

10. Retirement Plans:

Employees of the Authority

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

No employee contribution is required for those hired prior to July 1976. ERS requires employee contributions of 3% of salary for the first 10 years of service for those employees who joined from July 1976 through December 2009. Participants hired on or after January 1, 2010 and before April 1, 2012 contribute 3% of their gross salary during the length of employment. Contribution rates for participants hired on or after April 1, 2012 are based on annual wages and range from 3% to 6% annually. 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 employers to the pension accumulation fund.

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

	Contribution	Contribution Rates
2013	$ 1,109,237	10.1 - 18.6%
2012	$ 743,749	12.7 - 15.8%
2011	$ 509,749	9.1 - 11.3%

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

Deferred Compensation

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

Employees of Operating Subsidiaries

Union employees of the Authority's operating subsidiaries (blended component units) are covered by various pension plans (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 having attained 60 days of service are eligible to participate in the Plans. Both the Authority and its employees contribute on a weekly basis. The Authority's contributions to the Plans are included in amounts recorded for pension expense and amounted to $1,966,244 and $2,036,786 for the years ended March 31, 2013 and 2012.

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

Self-Insured Claims

The Authority assumes liability for certain risks including personal injury and workers' compensation claims. Additionally, the Authority has specific excess workers' compensation insurance from a commercial insurer to cover claims made in excess of the coverage limits. Estimated liabilities for claims that are not covered by insurance have been reflected in the financial statements. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At March 31, 2013, the amount of these liabilities was $8,058,600 for workers' compensation claims included in noncurrent liabilities on the accompanying balance sheets and $1,198,500 for liability claims. These liabilities are the Authority's best estimates based on available information. Changes in the reported liability are from the following:

Fiscal Year	Liability at Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability at End
Workers' Compensation				
2013	$ 7,833,000	$ 2,073,900	$ 1,848,300	$ 8,058,600
2012	$ 7,542,100	$ 2,109,900	$ 1,819,000	$ 7,833,000
Liability				
2013	$ 1,008,800	$ 616,900	$ 427,200	$ 1,198,500
2012	$ 1,510,500	$ 395,700	$ 897,400	$ 1,008,800

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.

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

March 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Actuarial Accrued Liability (UAAL) (b)	Excess (Deficiency) of Assets over UAAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/1/2010	$ -	$ 80,721,207	$ (80,721,207)	0%	$ 33,160,008	243%
4/1/2011	$ -	$ 66,267,389	$ (66,267,389)	0%	$ 34,526,741	192%
4/1/2012	$ -	$ 68,869,227	$ (68,869,227)	0%	$ 34,835,644	198%

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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*

INDEPENDENT AUDITOR'S REPORT

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 financial statements of Capital District Transportation Authority (the Authority), which comprise the balance sheet as of March 31, 2013, 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 have issued our report thereon dated May 24, 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 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 result of that testing, and not 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 24, 2013

Lumsden McCormick LLP
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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 financial statements of Capital District Transportation Authority (the Authority), a business-type activity, which comprise the balance sheets as of March 31, 2013, 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 24, 2013.

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, 2013. 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 24, 2013