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

FINANCIAL STATEMENTS

March 31, 2014

CAPITAL DISTRICT TRANSPORTATION AUTHORITY
(A component unit of the State of New York)

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March 31, 2014

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), a business-type activity, as of March 31, 2014 and 2013, 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, 2014 and 2013, 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 23, 2014 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 23, 2014

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

Management's Discussion and Analysis
For the Year Ended March 31, 2014, 2013 and 2012
(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, 2014, 2013 and 2012.

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, 2014 and 2013. 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, 2014 and 2013. 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, 2014 and 2013.

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.

	2014	2013	2012
Assets:			
Current assets	$ 46,248,073	$ 41,344,761	$ 44,639,785
Capital assets, net	119,408,939	118,959,245	114,543,456
Total assets	$ 165,657,012	$ 160,304,006	$ 159,183,241
Liabilities and net position:			
Current liabilities	$ 8,063,958	$ 7,214,897	$ 7,233,847
Noncurrent liabilities	53,824,689	43,181,318	38,670,772
Total liabilities	61,888,647	50,396,215	45,904,619
Net position:			
Net investment in capital assets	105,934,322	111,661,923	114,543,456
Restricted for capital purchases	6,880,000	-	-
Unrestricted	(9,045,957)	(1,754,132)	(1,264,834)
Total net position	103,768,365	109,907,791	113,278,622
Total liabilities and net position	$ 165,657,012	$ 160,304,006	$ 159,183,241

Current assets in 2014 were higher compared to 2013 and 2012 primarily because the Authority received the proceeds of a financing arrangement for vehicles which will be purchased and paid for after year end. This represented an increase in restricted cash of almost $7 million. Other changes in current assets were an increase in cash ($3 million) and inventory ($0.7 million) offset by and a decrease in accounts receivable ($3.9 million) primarily due to the timing of grants receivable.

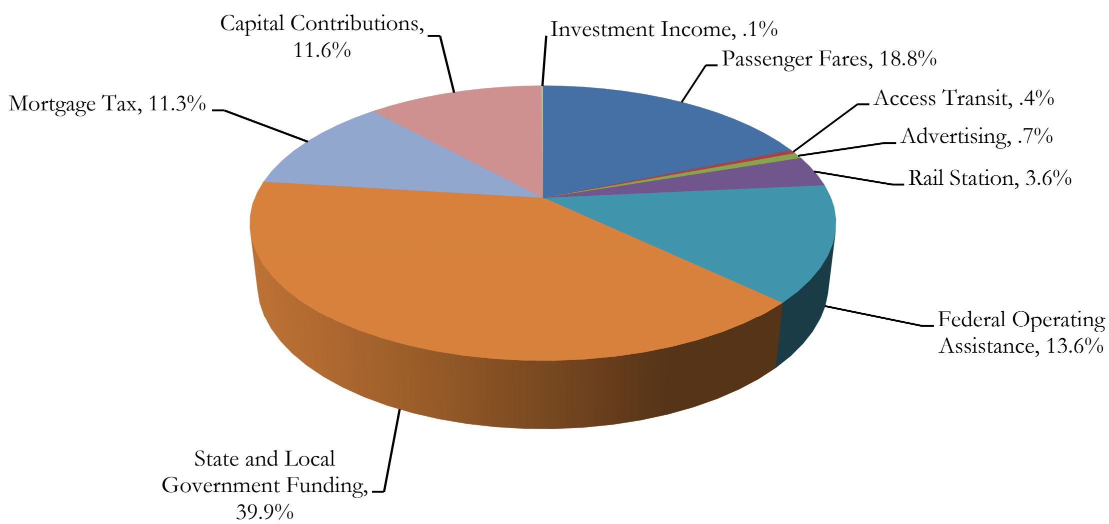
Capital assets increased $12.8 million in 2014 due to the purchase of new vehicles and other capital additions; however, depreciation on the Authority's physical plant, revenue equipment, and support equipment totaling $12.4 million offset the majority of the increase.

Total liabilities at March 31, 2014 increased $11.5 million compared to 2013 primarily from an increase of $5.2 million in the obligation for postemployment benefits other than pensions (GASB 45) and an increase in capital lease obligations associated with the pending bus purchase.

Total liabilities at March 31, 2013 increased $4.5 million primarily due to increased other postemployment benefits obligations and an increase in estimated provision for claims and settlements, offset by payments made on lease obligations.

Revenue Summary

The chart below summarizes the 2014 revenue by source and is followed by a chart showing the amounts associated with each category.



Operating revenue increased slightly over last fiscal year. Gains realized from the parking rate increase at the Rensselaer Rail Station were partially offset by a slight decrease in customer revenue. A portion of the customer revenue reduction can likely be attributed to the increased use of the Authority's Universal Access program, which offers organizations wholesale pricing for bulk purchases of fares. In prior years, these partners purchased passes on a regular basis in fewer numbers with less than wholesale discounts. Trends indicate that some customers who previously purchased passes likely have the benefit of a Universal Access agreement at their employer or school to meet their transportation needs.

Non-operating revenues, which consist primarily of government allocations and mortgage recording tax (MRT), decreased $7.5 million (11.5%). These revenues fluctuate from year to year based on how the Authority uses funds and the timing of when they are accessed. In 2014, the $4.3 million increase in capital contributions was due to use of federal grants matched by New York State to purchase vehicles and other capital items.

The Authority requested less federal operating assistance and more capital contributions in 2014 compared to 2013 based on capital projects and the need for operating assistance. These disbursements fluctuate from year to year based on current projects and cash flow needs. In addition, 2014 MRT was down significantly ($2 million) from 2013. MRT started the fiscal year near record highs, but as the housing market slowed and higher interest rates affected refinancing, MRT revenue fell sharply late in the fiscal year.

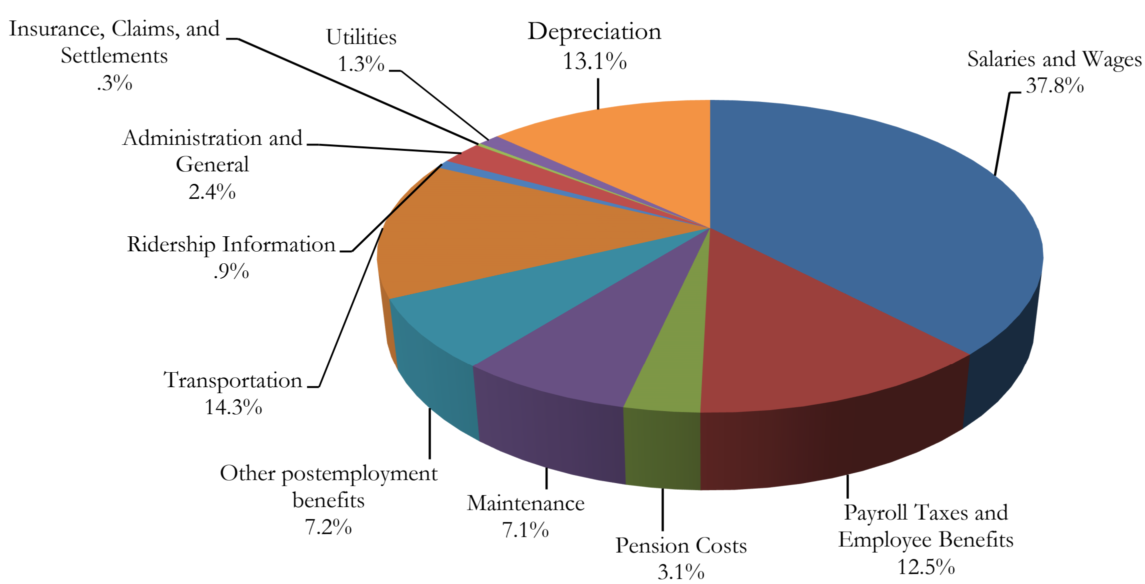
In 2013, operating revenues increased approximately $.8 million compared to 2013 as a result of increased bus passengers and rail station parking revenue of $1.1 million offset by a decrease in Access Transit contract revenue of $.3 million.

Non-operating revenue in 2013 increased $14.2 million from 2012, primarily due to the timing of projects and expenses funded by government grants and an increase of $3.4 million in Mortgage Recording Taxes resulting from an increase in property transactions in the Capital District.

	2014	2013	2012
Operating revenue:			
Passenger fares	$ 16,569,733	$ 16,736,225	$ 15,807,301
Access Transit	389,194	379,583	637,969
Advertising	606,654	605,562	716,603
Rail station parking and rentals	3,180,454	2,886,772	2,689,461
Total operating revenues	20,746,035	20,608,142	19,851,334
Non-operating revenue:			
Capital contributions	10,278,590	5,945,986	2,152,542
Federal operating assistance	12,042,581	16,615,654	11,457,345
State and local government funding	35,278,731	35,714,290	32,999,033
Mortgage tax	9,995,975	11,994,288	8,584,578
Investment income and other	(20,643)	452,047	1,308,617
Total non-operating revenue	67,575,234	70,722,265	56,502,115
Total revenue	$ 88,321,269	$ 91,330,407	$ 76,353,449

Expense Summary

Total expenses decreased approximately $0.8 million before depreciation and approximately $0.2 million after depreciation. The table below provides an overview of the 2014 expenses and is followed by a chart showing a three year comparison of amounts expended by category.



	2014	2013	2012
Expenses:			
Salaries and wages	$ 35,834,195	$ 34,903,763	$ 34,617,849
Payroll taxes and employee benefits	11,766,652	11,568,835	11,908,803
Pension costs	2,933,299	2,861,439	2,780,380
Other postemployment benefits	6,811,540	6,444,593	6,274,876
Maintenance	6,757,724	8,133,548	6,521,037
Transportation	13,486,839	14,144,479	14,148,975
Ridership information	839,873	780,997	589,946
Administration and general	2,254,371	2,101,256	3,877,836
Insurance, claims and settlements	266,309	1,102,400	908,516
Utilities	1,157,267	910,952	988,293
	82,108,069	82,952,262	82,616,511
Depreciation	12,352,626	11,748,976	11,573,045
Total expenses	$ 94,460,695	$ 94,701,238	$ 94,189,556

Considering the nature of the Authority's operations and the limited control over several major cost drivers, expense increases were largely contained while maintaining the same service levels as previous years. A 3% wage increase was contractually obligated and the uncertainty surrounding the Affordable Care Act did not lead to the increase as expected. Other postemployment benefits increased approximately $.4 million. To offset increases in these areas, reductions in other areas were made.

Maintenance expense decreased approximately $1.4 million. The continued influx of new vehicles associated with the fleet replacement program is having a positive impact on expenses. This program, coupled with sound maintenance practices, has created a noticeable decrease in parts expense. By having less part failures, the maintenance department has been able to focus on preventive measures as opposed to focusing on meeting daily service needs.

Transportation expenses decreased approximately $.7 million from 2013. This decrease is a result of less purchased transportation. The Authority acts as a federal funding pass through for Adirondack Trailways (ATL) for purchased transportation. The expense varies from year to year depending on how much federal funding ATL earns for public transit service in our region. This year ATL received $0.8 million less than last year.

Total expenses in 2013 increased $.5 million from 2012 as a result of a 3% contractual wage increase offset by decreases in payroll taxes, employee benefits, and the loss of Access Transit contracts.

Capital Assets

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

	2014	2013	2012
Land and improvements	$ 1,529,981	$ 1,529,981	$ 1,529,981
Construction in progress	2,251,003	2,239,962	1,714,884
Buildings and improvements	54,825,425	55,437,623	55,437,703
Revenue equipment	54,394,649	51,614,095	46,541,603
Service equipment and vehicles	1,154,688	1,081,996	1,256,109
Furniture and equipment	5,253,193	7,055,588	8,063,176
	$ 119,408,939	$ 118,959,245	$ 114,543,456

Capital asset additions, consisting primarily of revenue and other equipment, totaled $12.8 million and $16.2 million in 2014 and 2013, offset by disposals of buses and vehicles totaling $5.1 million and $6.4 million, in 2014 and 2013, respectively.

Factors Impacting the Authority's Future:

Several major factors will impact the Authority's future:

Fiscal year 2014 was another successful year as ridership exceeded 16.4 million, an all-time high. The majority of the ridership increase can be attributed to the continued success of the Universal Access program which allows organizations to pay annually for universal (all inclusive) access to the system. This model has been very successful for increasing ridership, although the structure of the program contributed to a $.2 million decrease in customer revenue.

State Operating Assistance (STOA) did not increase from fiscal year 2013; however, significant efforts have been made by The New York State Public Transit Association (NYPTA), which the Authority is a member of, to change the funding model. These efforts were successful and CDTA will receive a STOA increase for the fiscal year 2015 budget. This is a significant change because STOA accounts for almost 50% of total revenue.

Mortgage Recording Tax receipts is also a very significant revenue source. Although, the Authority ended the year slightly under the $10 million budgeted, projected improvements in the housing market are expected to positively impact receipts in fiscal year 2015.

CDTA continues to right size operations to maintain fiscal stability. Over the past few years the Authority focused largely on staff size while maintaining similar service levels. The Authority has also taken steps to ensure that other expenses do not negatively impact the operations budget and result in a reduction of service. Despite recent increases in personnel lines, the Authority decreased overall spending by $0.8 million due to consistent improvements in maintenance and operation practices.

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 service 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.

Request for Information

The Management Discussion and Analysis is intended to provide general information related to Authority operations for fiscal year ended March 31, 2014. 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,	2014	2013
Assets		
Current assets:		
Cash	$ 9,033,229	$ 6,046,536
Restricted cash	6,880,000	-
Investments	22,345,767	24,184,132
Government grants receivable	959,881	4,008,403
Trade and other receivables	2,352,669	2,667,093
Advances to related party	796,415	1,227,946
Materials, parts and supplies	2,910,861	2,257,918
Prepaid expenses	969,251	952,733
	46,248,073	41,344,761
Noncurrent assets:		
Capital assets, net (Note 4)	119,408,939	118,959,245
Total assets	$ 165,657,012	$ 160,304,006
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	5,396,868	5,333,517
Current portion of capital lease obligations	1,376,880	722,705
Unearned passenger revenue	1,290,210	1,158,675
	8,063,958	7,214,897
Noncurrent liabilities:		
Capital lease obligations	12,097,737	6,574,617
Estimated provision for claims and settlements	9,197,800	9,257,100
Other postemployment benefits	32,529,152	27,349,601
	53,824,689	43,181,318
Total liabilities	61,888,647	50,396,215
Net Position		
Net investment in capital assets	105,934,322	111,661,923
Restricted for capital purchases	6,880,000	-
Unrestricted	(9,045,957)	(1,754,132)
Total net position	103,768,365	109,907,791
Total liabilities and net position	$ 165,657,012	$ 160,304,006

See accompanying notes.

Statements of Revenues, Expenses and Changes in Net Position

For the years ended March 31,	2014	2013
Operating revenues:		
Passenger fares	$ 16,569,733	$ 16,736,225
Access Transit	389,194	379,583
Advertising	606,654	605,562
Rail station parking and rentals	3,180,454	2,886,772
Total operating revenues	20,746,035	20,608,142
Operating expenses:		
Salaries and wages	35,834,195	34,903,763
Payroll taxes and employee benefits	11,766,652	11,568,835
Pension costs	2,933,299	2,861,439
Other postemployment benefits	6,811,540	6,444,593
Maintenance	6,757,724	8,133,548
Transportation	13,486,839	14,144,479
Ridership information	839,873	780,997
Administration and general	2,254,371	2,101,256
Insurance, claims and settlements	266,309	1,102,400
Utilities	1,157,267	910,952
Total operating expenses before depreciation	82,108,069	82,952,262
Operating loss before depreciation	(61,362,034)	(62,344,120)
Depreciation	(12,352,626)	(11,748,976)
Operating loss	(73,714,660)	(74,093,096)
Non-operating revenues (expenses):		
Federal operating assistance	12,042,581	16,615,654
State and local government funding	35,278,731	35,714,290
Mortgage tax	9,995,975	11,994,288
Investment income (loss)	(24,532)	457,654
Other non-operating revenues (expenses)	3,889	(5,607)
Total non-operating revenues	57,296,644	64,776,279
Change in net position before capital contributions	(16,418,016)	(9,316,817)
Capital contributions	10,278,590	5,945,986
Change in net position	(6,139,426)	(3,370,831)
Net position - beginning of year	109,907,791	113,278,622
Net position - end of year	$ 103,768,365	$ 109,907,791

See accompanying notes.

Statements of Cash Flows

For the years ended March 31,	2014	2013
Operating activities:		
Cash received from passengers	$ 17,015,692	$ 16,469,301
Cash payments to suppliers for goods and services	(35,172,632)	(35,996,964)
Cash payments to employees for salaries and wages	(42,421,296)	(41,647,676)
Other operating revenues received	4,176,302	3,871,917
Net operating activities	(56,401,934)	(57,303,422)
Non-capital financing activities:		
Operating assistance, governmental funding and mortgage tax received	60,365,809	63,687,510
Other non-operating revenues received	159,280	192,006
Advances received from (paid to) related party	431,531	(587,460)
Payments for interest	(201,437)	(221,463)
Net non-capital financing activities	60,755,183	63,070,593
Capital and related financing activities:		
Proceeds from sales of capital assets	75,314	82,013
Acquisition of capital assets	(12,831,588)	(16,210,537)
Capital contributed under grants	10,278,590	5,945,986
Use of restricted investments	-	8,000,000
Proceeds (payments) on capital lease obligations	6,177,295	(702,678)
Net capital and related financing activities	3,699,611	(2,885,216)
Investing activities:		
Interest received on investments	431,986	449,592
Proceeds from sales and maturities of investments	18,642,477	11,833,015
Purchases of investments	(17,260,630)	(15,262,203)
Net investing activities	1,813,833	(2,979,596)
Net change in cash	9,866,693	(97,641)
Cash - beginning of year	6,046,536	6,144,177
Cash - end of year	$ 15,913,229	$ 6,046,536
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (73,714,660)	$ (74,093,096)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	12,352,626	11,748,976
Other postemployment benefits	5,179,551	4,817,951
Changes in assets and liabilities:		
Trade and other receivables	314,424	(489,388)
Materials, parts and supplies	(652,943)	302,144
Prepaid expenses	(16,518)	33,668
Accounts payable and accrued expenses	63,351	(261,441)
Unearned passenger revenue	131,535	222,464
Estimated provision for claims and settlements	(59,300)	415,300
Net cash used for operating activities	$ (56,401,934)	$ (57,303,422)

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. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,* as well as GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 14, *The Financial Reporting Entity*, which provide 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. 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, 2014 and 2013.

To reduce its exposure to rising fuel costs, the Authority has entered into a contract that fixes the prices of 168,000 gallons per month of certain vehicle fuels purchased from May 2014 through September 2015. 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.

Restricted Cash

Restricted cash held in a custodian account in a financial institution consists of proceeds from a municipal lease arrangement to purchase transit vehicles in 2014 (Note 5). The Authority's policy is to use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

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 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* – 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 or federal or state laws.
- *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.

Reclassifications

The 2013 financial statements have been reclassified to conform with the presentation adopted for 2014.

3. 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, 2014 and 2013 are presented below:

March 31, 2014

					Maturities (in Years)		
Investment type	**Rates**	**Fair value**	**% of total**	**Less than 1**	**1-5**	**5-9**
Certificates of Deposit	**.2 - 2.7%**	**$ 9,540,282**	**42.7%**	**$ 7,825,513**	**$ 1,714,769**	**$ -**
Federal Agency notes	**.25 - 5.5%**	**12,686,788**	**56.8%**	**3,437,006**	**9,249,782**	**-**
Money market funds	**0.01%**	**118,697**	**0.5%**	**118,697**	**-**	**-**
		$ 22,345,767	**100%**	**$ 11,381,216**	**$ 10,964,551**	**$ -**

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

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.

Investments are designated for the following purposes:

	2014	2013
Operating	**$ 4,795,214**	$ 6,210,703
Vehicle replacement	**2,270,163**	2,455,457
Capital projects and local match	**1,291,388**	1,568,165
Risk retention	**5,777,343**	5,813,940
Workers' compensation self-insurance	**8,211,659**	8,135,867
Total investments	**$ 22,345,767**	$ 24,184,132

- 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, 2014 and 2013, none of the Authority's bank deposits were exposed to custodial credit risk.

4. Capital Assets:

	April 1, 2013	Additions	Reclassifications and Disposals	**March 31, 2014**
Non-depreciable capital assets:				
Land and improvements	$ 1,529,981	$ -	$ -	**$ 1,529,981**
Construction-in-progress	2,239,962	11,041	-	**2,251,003**
Total non-depreciable capital assets	3,769,943	11,041	-	**3,780,984**
Depreciable capital assets:				
Buildings and improvements	90,672,624	2,262,299	-	**92,934,923**
Revenue equipment	121,184,185	10,104,505	(4,970,813)	**126,317,877**
Service equipment and vehicles	4,393,122	268,543	(91,628)	**4,570,037**
Furniture and equipment	16,731,268	185,200	-	**16,916,468**
Total depreciable capital assets	232,981,199	12,820,547	(5,062,441)	**240,739,305**
Less accumulated depreciation:				
Buildings and improvements	(35,235,001)	(2,874,497)	-	**(38,109,498)**
Revenue equipment	(69,570,090)	(7,294,684)	4,941,546	**(71,923,228)**
Service equipment and vehicles	(3,311,126)	(195,851)	91,628	**(3,415,349)**
Furniture and equipment	(9,675,680)	(1,987,595)	-	**(11,663,275)**
Total accumulated depreciation	(117,791,897)	(12,352,627)	5,033,174	**(125,111,350)**
Total depreciable capital assets, net	115,189,302	467,920	(29,267)	**115,627,955**
Total capital assets, net	$ 118,959,245	$ 478,961	$ (29,267)	**$ 119,408,939**

	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 capital 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 capital 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

5. Capital Lease Obligations:

In 2013, the Authority entered into an $6,900,000 Master Lease-Purchase agreement with a financial institution to acquire fifteen transit buses by December 1, 2015, the proceeds of which are held in restricted cash at March 31, 2014 (Note 2). 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, 2014 are as follows:

Years Ending March 31,	Principal	Interest
2015	$ 1,376,880	$ 323,118
2016	1,398,003	301,994
2017	1,434,638	265,359
2018	1,472,242	227,755
2019	1,510,841	189,157
2020-2024	6,282,013	369,690
	$ 13,474,617	$ 1,677,073

6. 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, 2014 and 2013 were:

	2014	2013
FTA:		
Operating assistance	$ 12,042,581	$ 16,615,654
New York State:		
Public transit operating assistance	4,074,931	4,510,491
Gross receipts tax	29,286,800	29,286,800
Total New York State	33,361,731	33,797,291
Albany County:		
Mortgage recording tax	3,427,728	4,440,898
Operating assistance	1,075,437	1,075,437
Total Albany County	4,503,165	5,516,335
Rensselaer County:		
Mortgage recording tax	1,399,186	1,602,670
Operating assistance	446,661	446,661
Total Rensselaer County	1,845,847	2,049,331
Schenectady County:		
Mortgage recording tax	1,192,652	1,494,578
Operating assistance	316,305	316,305
Total Schenectady County	1,508,957	1,810,883
Saratoga County:		
Mortgage recording tax	3,976,409	4,456,142
Operating assistance	78,596	78,596
Total Saratoga County	4,055,005	4,534,738
	$ 57,317,286	$ 64,324,232

7. 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 $796,415 and $1,227,946 at March 31, 2014 and 2013.

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

8. 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 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, 2014 and 2013:

	2014	2013
Annual required contribution		
Normal cost	$ 3,316,472	$ 3,100,480
Amortization of UAAL	3,982,714	3,745,855
Annual required contribution	7,299,186	6,846,335
Interest on OPEB obligation	1,093,984	901,266
ARC adjustment	(1,581,630)	(1,303,008)
Annual OPEB cost	6,811,540	6,444,593
Contributions made	(1,631,989)	(1,626,642)
Increase in net OPEB obligation	5,179,551	4,817,951
Net OPEB obligation - beginning of year	27,349,601	22,531,650
Net OPEB obligation - end of year	$ 32,529,152	$ 27,349,601

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
2014	$ 6,811,540	23.9%	$ 32,529,152
2013	$ 6,444,593	25.2%	$ 27,349,601
2012	$ 6,274,876	24.3%	$ 22,531,650

As of April 1, 2013, based upon an interim valuation, the actuarial accrued liability for benefits was $71,663,246, all of which is unfunded. The annual payroll of employees covered by the Plan was $35,710,077, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 201%.

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, 2013 and 2012 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: 5.0% - 7.0% next year, ultimately declining to 5.0% in 2023
- 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 and 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

9. 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 Systems – 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 31, 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
2014	$ 1,191,649	11.4% - 21.0%
2013	$ 1,109,237	10.1% - 18.6%
2012	$ 743,749	12.7% - 15.8%

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 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 amounted to $1,984,037 and $1,966,244 for the years ended March 31, 2014 and 2013. 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.

10. 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. Workers' compensation liabilities are estimated based on an actuarial valuation dated April 23, 2014. Personal injury liabilities are estimated by the Authority based on available information. Changes in the reported liability are as follows:

Fiscal Year	Liability at Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability at End
Workers' compensation				
2014	$ 8,058,600	$ 2,043,400	$ 1,848,300	$ 8,253,700
2013	$ 7,833,000	$ 2,073,900	$ 1,848,300	$ 8,058,600
Personal injury liability				
2014	$ 1,198,500	$ (4,500)	$ 249,900	$ 944,100
2013	$ 1,008,800	$ 616,900	$ 427,200	$ 1,198,500

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

The Authority has entered into a contract to purchase a new fare collection system totaling $9.6 million. The system is expected to be funded primarily with future government grants.

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

March 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Excess (Deficiency) of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2008	$ -	$ 71,879,884	$ (71,879,884)	0%	$ 31,590,930	228%
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%

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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, 2014, 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 23, 2014.

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 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 23, 2014

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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 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, 2014, 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 23, 2014.

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, 2014. 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 23, 2014