# RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST
# Financial Report

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

(With Independent Auditors' Report Thereon)

INDEX

**COLLIER, JOHNSON & WOODS, P.C.**
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# INDEPENDENT AUDITOR'S REPORT

May 2, 2016

RTA Employees Defined Benefit Plan and Trust
Corpus Christi, Texas

***Report on the Financial Statements***

We have audited the accompanying statement of fiduciary net position and changes in fiduciary net position of RTA Employees Defined Benefit Plan and Trust (Plan), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 misstatements 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 RTA Employees Defined Benefit Plan and Trust as of December 31, 2014, and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2014 RTA Employees Defined Benefit Plan and Trust adopted the provisions of Governmental Accounting Standards Board No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S generally accepted accounting principles require that the Management's Discussion and analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions and the Schedule of Investment Returns of on pages 3-4 and pages 22-24 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Collier, Johnson & Woods

RTA EMPLOYEE DEFINED BENEFIT PLAN AND TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2014

This section of the financial statements of the RTA Employees Defined Benefit Plan and Trust offers a narrative overview and analysis of the financial activities for the year ended December 31, 2014. The reader of this statement should take time to read and evaluate all sections of this report, including the notes and other supplementary information that is provided in addition to the MD&A.

**Financial Highlights and Analysis**

- Net position restricted for pensions is available for payment of monthly retirement benefits and other qualified distributions to the Plan's participants. Net position restricted for pensions increased by $1.5 million or 5.2% in 2014. Changes primarily correlate with investment returns and employer contributions exceeding benefits paid.

- Employer contributions decreased $101,832 or 7.9% in 2014. The decrease is due to contributions made based on budgeted amounts, which for 2013, were more than the actual required contribution.

- The amount of benefits paid to retired members and beneficiaries increased by $87,467 or 7.53% during 2014. This is a primary result of an increase in the number of retirees.

- The Plan's rate of return on investments for the year ended December 31, 2014 was 5.07% which was less than the return of 15.3% for the year ended December 31, 2013. The actuarial assumed rate of return is 7.5%.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The financial statements are comprised of: (1) financial statements, (2) notes to the financial statements, and (3) required supplementary information.

The *Statement of Fiduciary Net Position* reports the Plan's assets and liabilities, with the difference between the two reported as net position. This is a measure of financial position, which can indicate financial condition improvement or deterioration from year to year.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the fiscal year. It reflects contributions by the employer and investment income, along with deductions for retirement benefits, refunds, withdrawals, and administrative expenses.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes should be read as an integral part of the financial statements.

*Required Supplementary Information* (unaudited) includes management's discussion and analysis (MD&A) and the schedule of changes in net pension liability and related ratios, the schedule of contributions, and the schedule of investment returns and is supplementary information required by U.S. generally accepted accounting principles.

COMPARATIVE STATEMENT OF FIDUCIARY NET POSITION

| | DECEMBER 2014 | DECEMBER 2013 | DOLLAR CHANGE 2014-2013 | PERCENTAGE CHANGE 2014-2013 |
|---|---|---|---|---|
| ASSETS | | | | |
| Investments at Fair Value | 31,162,434 | 29,617,120 | 1,545,314 | 5.22% |
| Total Plan Assests | 31,162,434 | 29,617,120 | 1,545,314 | 5.22% |
| LIABILITIES | -- | -- | -- | 0.00% |
| NET POSITION RESTRICTED FOR PENSIONS | 31,162,434 | 29,617,120 | 1,545,314 | 5.22% |

COMPARATIVE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

| | 2014 | 2013 | Dollar Change 2014-2013 | Percentage Change 2014-2013 |
|---|---|---|---|---|
| Additions: | | | | |
| Net Investment Income | 1,706,633 | 4,019,847 | (2,313,214) | -57.54% |
| Employer Contributions | 1,178,498 | 1,280,330 | (101,832) | -7.95% |
| Total Additions | 2,885,131 | 5,300,177 | (2,415,046) | -45.57% |
| Deductions: | | | | |
| Benefits Paid to Participants | 1,248,352 | 1,160,885 | 87,467 | 7.53% |
| Administrative Expenses | 91,465 | 89,017 | 2,448 | 2.75% |
| Total Deductions | 1,339,817 | 1,249,902 | 89,915 | 7.19% |
| NET INCREASE IN NET POSITION | 1,545,314 | 4,050,275 | (2,504,961) | -61.85% |

**Request for Information**

This financial report is designed to provide our patrons and other interested parties with a general overview of the finances to demonstrate the Plan's accountability for the funds it receives. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Corpus Christi Regional Transportation Authority, Finance Department, 5658 Bear Lane, Corpus Christi, Texas 78405, (361) 289-2712. In addition this Employees Defined Benefit Plan and Trust Financial Report for 2014 will be posted on the Authority's website: www.ccrta.org under the category "About CCRTA" – Financial Reports.

# RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

## STATEMENT OF FIDUCIARY NET POSITION

## DECEMBER 31, 2014

| | |
|---|---|
| Assets: | |
| Investments, at Fair Value (Note 3): | |
| Money Market Funds | 627,043 |
| Mutual Funds | 6,648,687 |
| Collective Investments Funds | 23,886,618 |
| Total Investments, at Fair Value | 31,162,348 |
| Accrued Interest Receivable | 86 |
| Total Assets | 31,162,434 |
| Liabilities- | -- |
| NET POSITION RESTRICTED FOR PENSIONS | 31,162,434 |

See Notes to Financial Statements.

## RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

### YEAR ENDED DECEMBER 31, 2014

| | |
|---|---|
| Additions: | |
| Employer Contributions | 1,178,498 |
| Investment Income: | |
| Net Appreciation in Fair Value of Investments | 1,472,026 |
| Interest | 158,413 |
| Dividends | 10,628 |
| Mutual/Common Trust Fund Earnings | 65,566 |
| Net Investment Income | 1,706,633 |
| Total Additions | 2,885,131 |
| Deductions: | |
| Benefits Paid to Participants | 1,248,352 |
| Administrative Expenses | 91,465 |
| Total Deductions | 1,339,817 |
| Net Increase in Net Position | 1,545,314 |
| Net Position Restricted for Pension: | |
| Beginning of Year | 29,617,120 |
| END OF YEAR | 31,162,434 |

See Notes to Financial Statements.

RTA EMPLOYEE DEFINED BENEFIT PLAN AND TRUST

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Note 1 –DESCRIPTION OF THE PLAN

The following brief description of the RTA Employees Defined Benefit Plan and Trust (Plan) is provided for general information purposes only. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

**General**

The RTA Employees Defined Benefit Plan and Trust (Plan) is a single-employer defined benefit pension plan administered by the Corpus Christi Regional Transportation Authority (Authority) and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the Plan document. The current Plan provisions were established by a Plan and Trust agreement adopted by the Board of Directors in July 1986, and amended in July 1994, February 2002, November 2010, December 2011, and December 2012.

**Benefits**

Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan assets are maintained under a trust agreement with Wells Fargo Bank (Trustee). The Trustee carries out an investment policy established by the Authority's Board consistent with purposes of the Plan and all applicable laws. Administration costs are paid by the Plan.

Any employee shall be eligible to participate in the Plan on the date of the commencement of full-time employment or reemployment. For purposes of this section, a full-time employee shall be defined as any employee who receives compensation from the employer on the basis of an average of at least 40 hours of employment per week. Once an employee has become a participant, he will continue to be a participant as long as he continues to be an employee without a break in service and thereafter as long as he or his beneficiary retains any right to benefits under the Plan.

Plan participants are eligible for their pension benefit after terminating employment with vested rights. Participants are eligible for normal retirement on his normal retirement date (first day of the calendar month immediately following the date he attains age 62). A participant who has both attained his 55$^{th}$ birthday and has completed at least ten (10) years of service may retire at any time by giving at least 120 days prior written notice to the employer, but at a benefit reduced by 5% for each year preceding his normal retirement date. Participants should refer to the Plan Document for a more complete description of the Plan reduction factors. Normal retirement benefits shall be an amount equal to 2% of his final average compensation multiplied by his years of service (converted to a monthly retirement benefit by dividing by twelve).

Note 1 –DESCRIPTION OF PLAN – (Continuation)

**Vesting**

Vesting begins at three years of service with full vesting at seven years. Employees who retire on or after age 62 are entitled to an annual retirement benefit equal to 2% of average compensation for the final three consecutive years of employment times their number of years of service for the Authority. Reduced retirement benefits are available at age 55 with ten years of service. In December 2012, the Plan was amended to allow those eligible for early retirement during a specified window without incurring the normal reduction in benefits. The Plan is not indexed for inflation. As of January 1, 2014 there were 480 participants in the Plan as follows:

| | |
|---|---|
| Retirees and beneficiaries currently receiving benefits | 113 |
| Terminated and entitled to, but not yet receiving benefits | 160 |
| Active employees | 207 |
| TOTAL PARTICIPANTS | 480 |

**Death Benefits**

If the employment of a Participant is terminated by reason of his death prior to the completion of three (3) years of service, no death benefits shall be payable under the Plan. If the employment of a participant is terminated by reason of his death while in the employment of the Authority after the completion of three (3) years of service or after having terminated with at least three (3) years of service, then a death benefit shall be payable to the participant's surviving spouse equal to the "Pre-Retirement Survivor Annuity". The "Pre-Retirement Survivor's Annuity" means a survivor annuity for the life of the deceased participant's spouse which provides payments to the surviving spouse that are equal to the amounts that would have been paid to the surviving spouse (details provided in the Plan Document).

If the participant does not have a surviving spouse, no death benefit shall be payable.

**Disability Retirement**

Employees determined to be disabled under terms of the Authority's long-term disability program as of June 1, 1999 shall be entitled to benefits under this Plan to the extent the Plan provisions in place on June 1, 1999 provided for such benefits.

**Contributions**

The Authority shall contribute to the fund from time to time amounts based upon the recommendations of the Plan's actuary, in order to fund the costs of the Plan on an acceptable basis. All employer contributions when made to the fund and all property and funds of the fund, including income from investments and from all other sources, shall be retained for the exclusive benefit of participants and their beneficiaries, and shall be used to pay retirement income provided hereunder or to pay expenses of administration of the Plan and the fund.

No contributions shall be required of or permitted by any participant under this Plan.

Note 1 –DESCRIPTION OF PLAN – (Continuation)

**Funding Policy**

The employer shall establish a funding policy and method consistent with Plan objectives in order that the long range and short range financial needs of the Plan may be determined and communicated to the Board.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation**

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to the accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued June 2012 and is effective for fiscal years beginning after June 15, 2013. This statement amends GASB Statement No. 25 and GASB Statement No. 50, as they relate to pension plans administered through trusts that meet certain criteria. This statement establishes standards for financial reporting and amends note disclosure and required supplemental information requirements for defined benefit pension plans administered through qualified trusts. The requirements of these statements were implemented in 2014.

**Investment Valuation and Income Recognition**

The Plan's investments are stated at market value, unless otherwise indicated. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for further information and related disclosures regarding the Plan's investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in the fair value of investments includes realized gains or losses and unrealized appreciation or depreciation on investments bought and sold as well as held during the year. Gains and losses on the sale of investments in registered investment company funds are computed using the weighted average cost method.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

**Use of Estimates**

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amount of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

**Risk and Uncertainties**

The Plan may invest in various types of investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions processes, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**Payment of Benefits**

Benefit payments are recognized as expenses when due and payable in accordance with the terms of the Plan.

**Administrative Expenses**

The employer may pay all expenses incurred in the administration of the Plan, including expenses and fees of the Trustee, but it shall not be obligated to do so; except that any such expenses and fees not paid by the employer shall be paid from the Plan. All expenses not paid by the employer and all other proper charges and disbursements of the Trustee, including taxes of any kind which may be levied or assessed under existing or future laws upon or in respect to the Fund or the Trust created hereby, shall be paid by the Trustee out of, and shall constitute a first charge upon, the Fund. In addition, certain investment related expenses are included in the net appreciation of fair value of investments presented in the accompanying *Statement of Changes in Fiduciary Net Position*.

Note 3 – DEPOSITS AND INVESTMENTS

The investments of the Plan at fair value at December 31, 2014 are noted below:

| | |
|---|---|
| Money Market Fund- | |
| Wells Fargo Short Term Investment Fund F | 627,043 |
| | |
| Mutual Funds: | |
| Domestic Equity: | |
| Delaware US Growth Fund Instl Class | 785,746 |
| Fixed Income: | |
| Metropolitan West Total Return Bond Fund Class I | 2,157,677 |
| International Equity: | |
| Acadian Emerging Markets Portfolio Class Inst | 939,532 |
| Harbor International Fund Class Institutional | 1,240,036 |
| Commodity: | |
| Alps/Corecommodity Mgmt Complete Comm Strat Fund Cl I | 759,598 |
| Real Estate: | |
| Vanguard REIT ETF | 766,098 |
| Total Mutual Funds | 6,648,687 |
| | |
| Collective Investment Funds: | |
| Domestic Equity: | |
| Wells Fargo Multi-Manager Small Cap CIT F | 3,148,534 |
| Wells Fargo Blackrock S&P Midcap Index CIT F | 3,152,764 |
| Wells Fargo Blackrock S&P 500 Index CIT F | 3,470,431 |
| Wells Fargo MFS Value CIT F | 788,753 |
| Wells Fargo T Rowe Price Instit Equity Income Managed CIT F | 790,069 |
| Wells Fargo T Rowe Price Instit Large-Cap Growth Managed CIT F | 791,341 |
| Fixed Income: | |
| Wells Fargo Blackrock US Aggregate Bond Index CIT F | 4,634,660 |
| Wells Fargo Dodge & Cox Intermediate Bond CIT F | 2,160,486 |
| Wells Fargo Federated Total Return Bond CIT F | 2,157,427 |
| International Equity: | |
| Wells Fargo Causeway International Value CIT F | 1,547,163 |
| Wells Fargo Lazard International Equity CIT F | 1,244,990 |
| Total Collective Investment Funds | 23,886,618 |
| | |
| TOTAL INVESTMENTS | 31,162,348 |

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

**Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

**Level 1** inputs to the valuation methodology is unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2** inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from, or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** inputs to the valuation methodology are inputs that are unobservable and significant to the fair value measurement.

**Valuation Methodology**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

**Level 1 Fair Value Measurements**

The fair value of mutual funds is based on quoted net asset values of the shares held by the Plan at the end of the year. Accounts are based on available quoted market prices.

**Level 2 Fair Value Measurements**

The fair value of certain units of Common/Collective Trusts is based on significant other observable inputs. Underlying investments include securities, government and agency obligations, and fixed income securities. Securities traded on security exchanges are valued at closing market prices on the valuation date. Securities traded in the over-the-counter market are valued at the last sale on the valuation date, if any, otherwise at the last reported bid price. Government and agency obligations are valued based upon the most recent bid quotation for identical or similar obligations. Fixed income securities are valued based upon the most recent bid quotation obtained from major market makers or security exchanges. The fair value of the collective trust fund is the respective net asset values reported by the fund daily.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following presents the Plan's fair value measurements at December 31, 2014 reported by level, within the fair value hierarchy and segregated by entity size or investment objective.

| | **FAIR VALUE MEASUREMENTS** | | |
|---|---|---|---|
| | **FAIR VALUE** | **QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)** | **SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)** |
| Money Market Fund | 627,043 | 627,043 | -- |
| Mutual Funds: | | | |
| Domestic Equity | 785,746 | 785,746 | -- |
| Fixed Income | 2,157,677 | 2,157,677 | -- |
| International Equity | 2,179,568 | 2,179,568 | -- |
| Commodity | 759,598 | 759,598 | -- |
| Real Estate | 766,098 | 766,098 | -- |
| Total Mutual Funds | 6,648,687 | 6,648,687 | -- |
| Common/Collective Trust Funds | | | |
| Domestic Equity | 12,141,892 | -- | 12,141,892 |
| Fixed Income | 8,952,573 | -- | 8,952,573 |
| International Equity | 2,792,153 | -- | 2,792,153 |
| Total Collective Trust Funds | 23,886,618 | -- | 23,886,618 |
| TOTAL | 31,162,348 | 7,275,730 | 23,886,618 |

**Investment Policy**

The Board of Directors of the Authority has the ultimate responsibility for establishing, terminating, modifying, and administering the Plan. It has delegated the responsibility for administering and managing the Plan's assets to the RTA Audit, Finance, Health and Pension Subcommittee (Subcommittee). The Subcommittee has developed a Statement of Investment Policy in order to establish investment objectives and guidelines for the management and monitoring of investments utilized within the Plan.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

This Investment Policy is intended to be a guide. If a conflict arises between the Plan trust documents and the Investment Policy, the Plan trust documents will supersede all matters herein.

The primary investment objective is to earn a rate of return sufficient to match or exceed the long-term growth of the Plan's liabilities through a combination of income and capital appreciation, in a manner consistent with the fiduciary standards of ERISA and with sound investment practices for these funds. Accordingly, the investment manager is required to exercise a high degree of professional care, skill, prudence and diligence in the management of the funds' assets.

Assets are invested to minimize the chance of suffering market value losses. Assets are diversified into different styles with a prudent number of individual issues within each style to mitigate concentration risk. Investment performance is measured quarterly but it is not anticipated that performance goals will be satisfied in every single quarter or year. It is, however, expected that these totals be satisfied over a full market cycle. A full market cycle is considered to be three to five years. In addition, the performance of the various asset categories utilized within the overall investment array should be competitive on a long-term basis with their appropriate benchmarks based on investment objective, investment style and market capitalization.

**Asset Allocation**

The Plan's asset allocation policy as of December 31, 2014, adopted by the Subcommittee, is as follows. There were no modifications to the investment policy during 2014.

| | **TARGET %** | **MAXIMUM %** | **MINIMUM %** | **BENCHMARK** |
|---|---|---|---|---|
| Cash | 2% | 3% | 0% | Treasury Bill Equivalent |
| Equities | 60% | 70% | 50% | S&P 500 |
| Fixed Income | 38% | 50% | 27% | Barclays Capital Aggregate |

**Rate of Return**

The portfolio is expected to produce a compounded annual absolute return over a market cycle of at least 7.5%. For the year ended December 31, 2014, the annual dollar-weighted rate of return for the Plan investments, net of pension plan investment expense, was 5.07%. The dollar-weighted rate of return demonstrates that the present value of future cash flows plus the final market value of the investments equal the current market price of the investment.

**Interest Rate Risk**

This is the risk that changes in the interest rates will negatively impact the fair value of an investment. As market interest rates rise, the fair value of an investment held decreases. The Plan's current Investment Policy does not specifically address interest rate risk. The Plan does, however, monitor exposure using the "Segmented Time Distribution" method.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

The following is a list of the Plan's fixed income investments and related maturity schedule (in years) as of December 31, 2014. The maturity schedule is based on the average maturity of the fund as noted by the fund manager:

| INVESTMENT TYPE | FAIR VALUE | LESS THAN 1 YEAR | 1-5 YEARS | 5-10 YEARS | 10+ YEARS |
|---|---|---|---|---|---|
| Collective Investment Funds | | | | | |
| Fixed Income: | | | | | |
| WF Blackrock US Aggregate | | | | | |
| Bond F | 4,634,661 | 46,347 | 2,502,717 | 1,436,745 | 648,852 |
| WF Dodge & Cox | | | | | |
| Intermediate Bond F | 2,160,487 | -- | 984,966 | 868,732 | 306,789 |
| WF Federated Total Return | | | | | |
| Bond F | 2,157,428 | 213,585 | 457,375 | 780,989 | 705,479 |
| Total Collect Inv Funds | 8,952,576 | 259,932 | 3,945,058 | 3,086,466 | 1,661,120 |
| Mutual Fund | | | | | |
| Fixed Income: | | | | | |
| Metropolitan West Total | | | | | |
| Return Bond Fund Cl I | 2,157,677 | -- | -- | 2,157,677 | -- |
| TOTAL | 11,110,253 | 259,932 | 3,945,058 | 5,244,143 | 1,661,120 |

**Custodial Credit Risk**

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by counterparty, or counterparty's trust department or agent but not in the government's name. This is the risk that in the event of bank or investment failure, the Plan's deposits or investments may not be returned. The Plan's investment policy does not specifically address custodial credit risk; however, all of Defined Benefits' deposits and investments are in the name of the Plan and Trust. As of December 31, 2014, the Plan's deposits or investments exposed to custodial credit risk are minimal.

**Concentration of Credit Risk**

This is the risk of investing predominately in any one type of investment or entity. The Plan recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Plan's adopted investment policy established diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on a monthly basis. Per the policy, no equity holding may exceed 5% of the outstanding voting shares of the issuing corporation. Likewise, regarding fixed income investments, not more than 5% of the market value of the total portfolio may be invested in the debt securities of any one company. As of December 31, 2014 there were no exceptions to these policy limits.

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

The following table presents fair value of investments at December 31, 2014. Investments that represent 5 percent or more of the Plan's net assets are separately identified.

| | |
|---|---|
| Money Market Fund- | |
| Wells Fargo Short Term Investment Fund F | 627,043 |
| Mutual Funds: | |
| Metropolitan West Total Return Bond Fund Class I | 2,157,677 |
| Other Mutual Funds | 4,491,010 |
| Total Mutual Funds | 6,648,687 |
| Collective Investment Funds: | |
| Wells Fargo Blackrock US Aggregate Bond Index CIT F | 4,634,660 |
| Wells Fargo Blackrock S&P 500 Index CIT F | 3,470,431 |
| Wells Fargo Blackrock S&P Midcap Index CIT F | 3,152,764 |
| Wells Fargo Multi-Manager Small Cap CIT F | 3,148,534 |
| Wells Fargo Dodge & Cox Intermediate Bond CIT F | 2,160,486 |
| Wells Fargo Federated Total Return Bond CIT F | 2,157,427 |
| Wells Fargo Causeway Inernational Value CIT F | 1,547,163 |
| Other Collective Investment Funds | 3,615,153 |
| | 23,886,618 |
| TOTAL INVESTMENTS, AT FAIR VALUE | 31,162,348 |

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Plan. The Plan's investment policy addresses general provisions relating to common stocks where limits are established on percentage of investing in a particular stock. The policy also stresses high quality and reasonable diversification of fixed income investments with portfolio holdings concentrated in securities rated A or better, limiting 10% of holdings invested in issued rated below BBB, only with management approval. The Plan's fixed income investments are rated based on the average quality of the fixed income investments as noted below:

| | WF Dodge & Cox Intermed Bond CIT F | WF Federated Total Return Bond CIT F | WF Blackrock US Aggreg Bond CIT F | Metropolitan West Total Return Bond I | Total |
|---|---|---|---|---|---|
| Cash | 17,499 | 24,595 | -- | -- | 42,094 |
| Not Rated* | 1,562,033 | 372,587 | -- | 7,336 | 1,941,956 |
| AAA | 85,555 | 214,880 | 3,383,302 | 1,508,863 | 5,192,600 |
| AA | 5,401 | 829,747 | 185,386 | 109,826 | 1,130,360 |
| A | 102,191 | 174,104 | 509,813 | 199,801 | 985,909 |
| BBB | 249,320 | 541,515 | 556,160 | 150,606 | 1,497,601 |
| BB and Below | 138,488 | -- | -- | 181,245 | 319,733 |
| TOTAL | 2,160,487 | 2,157,428 | 4,634,661 | 2,157,677 | 11,110,253 |

Note 3 – DEPOSITS AND INVESTMENTS – (Continuation)

**Foreign (International) Currency Risk**

This is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's investment policy allows for fixed income investments which may be international in addition to International Equity funds. The country/regional allocation of the fund is provided below based on prospectus allocations:

| Fund Region | America Region | Europe Region | Asia Region | Australia & Oceana Region | East Region | Other Region | Total |
|---|---|---|---|---|---|---|---|
| Acadian Emerging Markets Portfolio Class Inst | 194,013 | 32,696 | 622,064 | -- | 90,759 | -- | 939,532 |
| Harbor International Fund Class Institutional | 52,702 | 999,841 | 147,564 | -- | -- | 39,929 | 1,240,036 |
| Wells Fargo Causeway International Value CIT F | 15,007 | 1,039,229 | 413,557 | -- | -- | 79,370 | 1,547,163 |
| Wells Fargo Lazard International Equity CIT F | 43,575 | 833,521 | 265,681 | 23,655 | 49,177 | 29,381 | 1,244,990 |
| TOTAL | 305,297 | 2,905,287 | 1,448,866 | 23,655 | 139,936 | 148,680 | 4,971,721 |

Note 4 – NET PENSION LIABILITY

The Net Pension Liability is measured as the Total Pension Liability, less the amount of the Plan's Fiduciary Net Position. In actuarial terms, this will be the accrued liability less the market value of assets. The components of the Plan's Net Pension Liability as of December 31, 2014 are as follows:

| | |
|---|---|
| Total Pension Liability | 31,895,409 |
| Plan Fiduciary Net Position | 31,162,434 |
| NET PENSION LIABILITY | 732,975 |

Plan Fiduciary Net Position as a percentage of the Total Pension Liability: 97.7%

The Schedule of Net Pension Liability presents multi-year trend information beginning with 2014 to illustrate changes in the Plan fiduciary net position over time. In addition to the above, this information is presented in the required supplementary information.

**Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Inflation | -- |
| Salary Increases | 3.5% |
| Mortality | RP 2000 static Mortality Table |
| Ad Hoc Post-Employment Benefits | Not applicable |

Note 4 – NET PENSION LIABILITY – (Continuation)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. Pursuant to Paragraph 43 of GASB No. 67, an alternative analysis was performed to compare the Plan's net fiduciary position to projected benefit payments.

1. The Normal Cost represents the annual cost of benefit payments arising from future service increases for active employees.

2. The Unfunded Actuarial Accrued Liability represents the accumulated deficiency of the total cost of benefit payments which have already been earned over the current assets held by the Plan's trust.

3. The Authority's contribution policy is to make an annual payment equal to the Normal Cost plus the amortization payment of the Unfunded Actuarial Accrued Liability. The amortization payment is calculated as a level dollar amount over a period of 15 years from January 1, 2009.

4. A review of actual contributions over the past five years shows that the Authority has made sufficient contributions to meet its funding policy.

On the basis of the above, the projected cash flows will be sufficient to provide the benefit payments to the Plan participants. Thus, the Discount Rate is equal to the long-term expected rate of return of 7.5%. The 2013 discount rate was also 7.5%.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Net Pension Liability of the Plan, calculated using the discount rate of 7.5%, as well as what the Plan's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

| | 1% Decrease to 6.5% | Current Single Rate Assumption of 7.5% | 1% Increase to 8.5% |
|---|---|---|---|
| 2014 | 4,359,496 | 732,975 | (2,566,523) |

## Note 5 – PLAN TERMINATION

Although it has not expressed any intention to do so, the Authority expressly reserves the right under the Plan to terminate or partially terminate the Plan and its contributions thereunder at any time subject to the provisions set forth in Section 7 of the Plan and by giving written notice of such termination or discontinuation of its contribution to the Trustee. In the event the Plan terminates, or partially terminates, the present value of the benefits shall be determined as of the Plan termination date and the assets of the Trust Fund shall be allocated to the extent they shall be sufficient, after providing for expenses and administration, in the following order:

1. First

    a. To benefits which are being paid as of three years prior to the date of termination of the Plan, with the amount to be allocated to such benefit, based on the provisions of the Plan in effect during the five-year period immediately preceding the date of termination under which such benefit would be least.

    b. To benefits which would have been paid as of three years prior to the date of termination (i) if the Participant had retired prior to the three-year period and (ii) if his benefits had commenced (in the normal form of annuity under the Plan) as of the beginning of such three-year period, with the amount to be allocated to each such benefit determined under the provisions of the Plan in effect during the five-year period preceding the date of termination under which the benefit would be the least.

2. Second, to all other vested Accrued Benefits as determined under Section 3.05.

3. Third, to all other Accrued Benefits attributable to non-vested participants.

For purposes of 1.b.i. above, the lowest benefit in pay status during a three-year period shall be considered the benefit in pay status for such period.

If the assets available for allocation to any class specified above are insufficient to satisfy in full the benefits of all individuals within that class, the assets shall be allocated pro-rata among such individuals on the basis of present value (as of the termination date) of their respective benefits.

## Note 6 – TAX STATUS

On October 4, 2011, the Internal Revenue Service (IRS) issued a favorable determination letter stating that the Plan was in compliance with Section 1.401-1(b)(3) of the Code of Federal Regulations.

On January 27, 2016 a determination request was submitted to the IRS and is intended to comply with the requirements for a plan and trust qualified under Sections 401(a) and 501(a) of the Internal Revenue Code. The Plan's most recent determination letter, dated October 4, 2011, is contingent upon the timely adoption of a First Amendment to the prior Plan document. The First Amendment to the prior Plan document, dated December 7, 2011, is included in the application to evidence its timely adoption. Since the execution of the First Amendment to the prior Plan Document, the Plan Sponsor has executed a Second Amendment to the prior Plan Document and the current Plan Document.

## Note 7 - SUBSEQUENT EVENTS

On December 3, 2014 the Board of Directors approved an option for early retirement of plan participants who met specific age and service requirements. In order to be eligible for the early retirement option employees must have attained ten years of service and reached the age of 55 by December 31, 2014. The option was only available to be exercised through January 31, 2015 with an effective retirement date of February 1, 2015. Out of the 18 eligible employees only 5 chose to exercise the option.

SUPPLEMENTARY SCHEDULES

# RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| | 2014 |
|---|---|
| Fiscal Year Ended December 31: | |
| Total Pension Liability: | |
| Service Cost | 695,517 |
| Interest | 2,255,081 |
| Changes of Benefit Terms | 391,915 |
| Differences Between Expected and Actual Experience | 784,295 |
| Benefit Payments, Included Refunds or Member Contributions | (1,248,352) |
| Net Change in total Pension Liability | 2,878,456 |
| Total Pension Liability - Beginning | 29,016,953 |
| TOTAL PENSION LIABILITY - ENDING (a) | 31,895,409 |
| Plan Fiduciary Net Position: | |
| Contributions - Employer | 1,178,498 |
| Net Investment Income | 1,706,633 |
| Benefit Payments, Including Refunds of Member Contributions | (1,248,352) |
| Administrative Expense | (91,465) |
| Net Change in Plan Fiduciary Net Position | 1,545,314 |
| Plan Fiduciary Net Position - Beginning | 29,617,120 |
| PLAN FIDUCIARY NET POSITION - ENDING (b) | 31,162,434 |
| NET PENSION LIABILITY - ENDING (a) - (b) | 732,975 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 97.70% |
| Covered Employee Payroll | $ 7,274,172 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 10.08% |

Notes to Schedule

1. No Significant Factors Noted to Disclose
2. No Significant Methods or Assumptions to Disclose.
3. Schedule Will be Built Out to 10 Years.

See accompanying independent auditors' report.

## RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CONTRIBUTIONS

### LAST TEN FISCAL YEARS

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially Determined Contributions | 695,517 | 988,534 | 1,125,651 | 886,742 | 1,168,423 | 1,355,811 | 576,140 | 529,681 | 565,571 | 692,096 |
| Contribution in Relation to the Actuarially Determined Contribution | 1,178,498 | 1,280,330 | 1,125,651 | 1,064,288 | 1,168,423 | 1,355,811 | 576,140 | 529,681 | 565,571 | 1,487,520 |
| CONTRIBUTION DEFICIENCY (EXCESS) | (482,981) | (291,796) | -- | (177,546) | -- | -- | -- | -- | -- | (795,424) |
| Covered Employee Payroll | 7,274,172 | 7,474,445 | 7,221,526 | 7,073,120 | 7,246,596 | 6,634,041 | 6,394,664 | 6,338,961 | 6,758,209 | 6,566,065 |
| Contributions as a Percentage of Covered-Employee Payroll | 16.2% | 17.1% | 15.6% | 15.0% | 16.1% | 20.4% | 9.0% | 8.4% | 8.4% | 22.7% |

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of January 1 for the respective year of contributions.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Closed-Level dollar amout over 15 years from January 1, 2009 |
| Remaining Amortization Period | 10 Years |
| Asset Valuation Method | Market VaLue |
| Inflation Rate | -- |
| Salary Increases | 3.50% |
| Investment Rate of Return | 7.50% |
| Retirement Age | All participants were assumed to retire at age 62 |
| Mortality Rates | RP 2000 Mortality Table |

See accompanying independent auditors' report.

## RTA EMPLOYEES DEFINED BENEFIT PLAN AND TRUST

### REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF INVESTMENT RETURNS

### DECEMBER 31, 2014

| | |
|---|---|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 5.07% |

Note - Schedule Will be Built Out to 10 Years.

See Notes to Financial Statements.