



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Corpus Christi, Texas

Comprehensive Annual Financial Report



ccrta.org

For the Fiscal Year Ended December 31, 2018

**Corpus Christi Regional Transportation
Authority
Corpus Christi, Texas**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2018**

Mission Statement

The Corpus Christi Regional Transportation Authority was created by the people to provide quality transportation and enhance the regional economy in a responsible manner consistent with its financial resources and the diverse needs of our community.

Prepared by the Finance Department



2018

Introductory Section

Comprehensive Annual Financial Report



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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July 30, 2019

To the Citizens of the CCRTA transit Service Area and the Board of Directors:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Corpus Christi Regional Transportation Authority (Authority) for its fiscal year ended December 31, 2018. The CAFR is prepared annually in compliance with the Texas statute and Federal Single Audit Act that requires an annual audit of our basic financial statements. Specifically, Section 451.451, Subchapter J, of the Texas Transportation Code requires our financial statements to be independently audited. In addition, since the Authority receives federal grant funding, there are auditing reporting requirements related to the Single Audit Act (A-133) and the Uniform Guidance 2 CFR § 200 that are applicable to Federal Transit Administration (FTA) recipients. This report is published and respectfully submitted to fulfill these requirements.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls established for this purpose. The internal controls are designed to provide reasonable assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority in accordance with generally accepted accounting principles (GAAP) for local government units. In addition, the Authority continues to prioritize transparency in all areas of the organization.

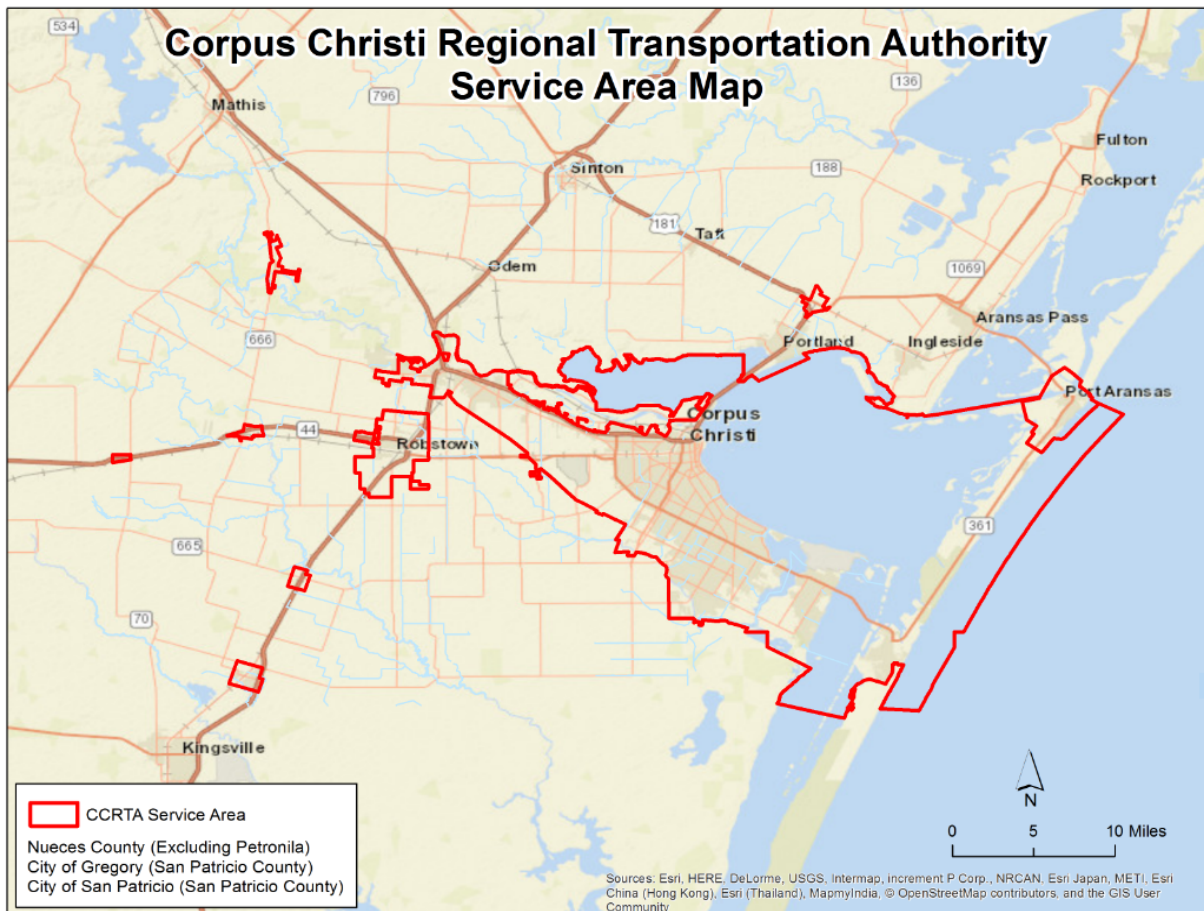
The independent firm of Carr, Riggs & Ingram, LLC., Certified Public Accountants, conducted the audit for the year ended December 31, 2018, and has rendered an unmodified (clean) opinion. Their opinion letters are presented first in the Financial and Single Audit sections of this CAFR.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

The system’s legal name is Corpus Christi Regional Transportation Authority (Authority). In June 1984 the Authority was first created by ordinance from the City of Corpus Christi. It operated with a 5-member interim board appointed by the City of Corpus Christi until the confirmation election in August 1985. By majority vote of the taxpayers in Nueces and Patricio counties, voters approved the funding of the Authority through a one-half cent sales tax levied in Corpus Christi and seven other unincorporated areas of Nueces County. Operations commenced January 1, 1986. Note 1 in the Financial Section provides more details about the Authority as a legal entity.

Located in Corpus Christi, Texas, on the coast of the Gulf of Mexico, the Authority is a *regional* provider of mass transportation services, primarily within Nueces County and also part of San Patricio County. Nueces County includes the cities of Agua Dulce, Bishop, Corpus Christi, Driscoll, Port Aransas, Robstown, and unincorporated areas. San Patricio County coverage includes the cities of Gregory and San Patricio. The total service area is 831 square miles and has an estimated population of 427,840 of which 337,094 or 78.87% is from the Corpus Christi area. A map of the Authority’s service area is presented below.





Services

Either directly or through contractors, the Authority provides virtually all public transportation services in this area. These services include fixed route, paratransit, vanpool, and specialized services. In 2018, the Authority operated a network of 35 fixed routes and 3 demand routes that provided approximately 5.4 million passenger trips boarding from 1,343 bus stops over an 841 square mile service area. The routes include 5 Express Routes, two on-demand response taxi services and one on-demand response shuttle.

The Authority operates separate facilities for transit operations and vehicle maintenance and for administration, planning and customer service. The Authority maintains 1,343 bus stops, four transfer stations, three park and ride lots and a fleet of 82 fixed route and 51 paratransit vehicles. Certain commuter and paratransit services are provided through contractors specializing in these services. Table 12 in the Statistical Section contains service delivery statistics for the past ten years.

Governance - Officials

An eleven-member Board of Directors (Board) governs the Authority. The City of Corpus Christi, Nueces County and the Committee of Small City Mayors appoint members to the Board, excluding the Chair. The Board makes decisions, designates management, significantly influences operations and maintains primary fiscal accountability.

The Board establishes policy and sets direction for the Authority. The Board is made up of a chair and ten members. Five members are appointed by the City of Corpus Christi, three members are appointed by the Nueces County Commissioners and two members are appointed by participating small cities. The Chair is appointed by the sitting Board members. The Board members serve overlapping two-year terms. A listing of Authority Board members is included on page xi.

Governance - Executives

A Chief Executive Officer (CEO) is responsible for the daily operations of the Authority. The CEO supervises three major divisions including Administration, Capital Programs, and Operations. These broad divisions are organized into numerous departments for operational efficiency. The Authority staffed their operations with 282.50 salaried and hourly positions and with over 100 staff members employed by various contractors. An organizational chart is shown on page xiii.

Budget and Initiatives

Texas Transportation Code Section 451.102 requires that transit authorities adopt an annual operating budget before the start of a new fiscal year. The budget serves as a policy document, an operations guide, a financial plan and a communication device. The board also adopts an annual capital budget. The process for developing the Authority's budgets typically begins with Board strategic planning that starts in May, and through a series of



meetings and analysis, results in an operating budget and a prioritized capital budget prior to the beginning of the fiscal year. The Authority may not spend more than the approved operating budget, and must approve increases to the budget. The CEO may permit movement of funds within the approved budget. If these reallocations are significant, Board approval is obtained.

During the development of the 2018 Operating Budget, it was estimated that sales tax revenues which represent approximately 89% of total income, would decrease by 5.52% as a result of Hurricane Harvey and other economic trends. For passenger service, it was assumed that the ridership would remain flat. Accordingly, there was no change in staffing levels. For employee compensation, it was assumed that employees would receive a 2% COLA increase. Budgeting assumptions also include a merit raise of up to 3% based on performance.

The major focus of the 2018 Capital Budget was to successfully manage forty-three (43) Capital Projects with a total estimated cost of \$23,236,691 which include 19 projects rolling forward from previous year with an estimated cost balance of \$18,600,817. The majority of the projects rolling forward consist of build-out costs associated with the new Staples Street Center, and bus stop improvements including technology enhancements, and updates that include mobile devices to promote boarding experience. The projects associated with bus stop improvements and technology are funded with federal grants.

The new projects consist of adding six (6) ARBOC CNG replacement buses for our Paratransit Fleet along with the addition of support vehicles and maintenance facility equipment. The Bus Stop Improvement Project Phase VII is also among the new projects for 2018 and includes funding of the construction and/or renovation of new bus stops. All but three of the new projects are being funded with federal grants with a funding ratio of 80/20.

LOCAL ECONOMY

Corpus Christi, with a population of 337,094, is the largest city on the Texas Coast and home to Naval Air Station Corpus Christi and the Port of Corpus Christi, one of the largest ports in the nation. The military bases, Corpus Christi Army Depot and Naval Air Station-Corpus Christi contribute significantly to the local economy, employing nearly 10,000 workers plus civilians. The healthcare industry significant growth over the years and currently represents the largest non-sector in Corpus Christi. The regional economy is diversified and also includes shipping, fishing, tourism, petrochemical refining, construction, agriculture, government services and higher education. Although ebbs and flows normally are associated with a diversified economy, this varied base tends to add to the relative stability of employment with energy and education being the two of the largest driving forces behind Corpus Christi's economy.

In 2018, Corpus Christi's overall economic condition remained strong and has seen the job market increase by 1.4% over the last year to 4.5%. The rate is slightly lower in Nueces County with the year ending at 4.30% while the state was 3.7%.



The Authority’s ability to fund its operations is heavily dependent on a ½-cent sale and use tax generated from its regional economy. In 2018, sales tax revenue represented 89% of total income. Over the last five (5) years sales tax revenue to total income has averaged out to 76.80%. Economic conditions are directly related to year to year fluctuations but another contribution factor are grants that fund a variety of programs for various capital and operating projects. Sales Tax revenues have grown at an annual average of 5.90% over the past ten years compared to average growth in operating expenses, including depreciation, of 4.73% over the same period. The Authority continues to operate with its original transit tax rate of ½-cent. The current overall sales and use tax rate for the Corpus Christi area is 8.25%, which is the maximum allowed by current law. Sales taxes grew 4.19% in 2018. Sales tax collections for 2019 reflects a steady continuation of last year’s stream, however there is optimism in the area with renewed activity from \$30 billion in industrial capital projects including construction of the new Harbor Bridge and the new petroleum cracker plant in the Gregory community.

	<u>Sales Tax</u>		<u>Operating Expenses</u>	
2009	\$	20,821,573	\$	25,809,374
2010	\$	22,891,712	9.94%	\$ 27,393,841 6.14%
2011	\$	26,235,525	14.61%	\$ 29,679,807 8.34%
2012	\$	31,571,834	20.34%	\$ 30,763,194 3.65%
2013	\$	32,064,316	1.56%	\$ 30,612,610 -0.49%
2014	\$	35,188,390	9.74%	\$ 32,826,981 7.23%
2015	\$	34,127,803	-3.01%	\$ 35,706,374 8.77%
2016	\$	31,387,198	-8.03%	\$ 37,780,626 5.81%
2017	\$	32,570,355	3.77%	\$ 39,108,702 3.52%
2018	\$	33,934,640	4.19%	\$ 42,076,550 7.59%
		Average Growth	5.90%	Average Growth 5.62%

In comparison to 2017, the average fuel price per gallon for diesel increased in 2018 by 26% from \$1.6502 to \$2.0824. Unleaded fuel showed a much higher increase with a 39.59% in the average cost per gallon from \$1.6518 to \$2.0477. Rising fuel prices have led to significant increases in costs for public transit agencies all over the country. However, historically a benefit from higher gasoline prices is an increase in public transit ridership. As the cost of fueling a car increases, people may seek out ways to reduce fuel consumption, and one such option is public transit. Rising fuel costs also impact the cost of maintenance materials for the Authority’s fleet and energy prices associated with the Authority’s customer amenities. For this reason, energy efficiencies for our transit system remains a priority and includes alternative fuels as a means to reach our energy and economic goals.

In response to these volatile costs, in 2012, the Authority began the conversion of its fleet to CNG, and continues replacement with CNG vehicles to maximize cost savings. At the end of 2018, nearly 80% of the Authority’s fleet was operating on CNG. The pricing for CNG at the end of 2018 was \$0.89 per gallon equivalent as compared to \$1.17 in 2017 which clearly continues to create cost savings.



Long-Range Financial Planning

Due to the significant capital investment in buses and bus facilities used for service delivery and the operating cost growth challenges experienced by transit systems across the country, the Authority maintains 20-year long-term financial projections. A primary goal of long-term planning is to ensure that adequate resources are maintained for the replacement of capital assets and system expansion. Financial projections are maintained and updated when significant events occur that warrant changes to the underlying assumptions. In 2012 the Authority's long-range financial plan was updated as part of a long-range system plan update, and is reviewed annually, adjusting as needed.

Capital projects that were completed in 2018 include the technological enhancements, engine rebuilds for buses and additional tenant buildout at the Staples Street Center.

In 2019, the Authority expects to continue with its improvements in bus stops in order to expand on ADA services and transit accessibility. The Authority also intends to seek grant funding as part of its system-wide infrastructure plan which includes three major projects with an estimated project costs of \$7.2M. These projects include the rehabilitation of the Port Ayers Transfer Station which is the fastest growing area of Corpus Christi. Technology installations, lighting upgrades, bathroom and stucco replacements are amount the improvement needed to meet the service demands of our riders. The second project is associated with the expansion of a local community college. The population expansion to the south side of Corpus Christi has created the need for another campus. As a result, the Authority plans to design and construct the necessary bus stops and amenities required to meet this need. The third project involves improvements to the bus operations maintenance facility located on Bear Lane.

Offering seasonal services to certain surrounding communities that are still recovering from the devastation left by 2017 Hurricane Harvey is also under consideration. The seasonal services would be opened to the general population to also provide transportation services to employees who have not been able find affordable transportation to get them to work.

The Authority is also exploring and investigating innovative services through technology and strong partnerships. Specifically, CCRTA is looking to route a shuttle within the campus of a local university. The autonomous Pilot Program is planned for the fall 2019. The location chosen will be using a pre-determined route for the testing of the autonomous control systems.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This marked the 14th consecutive year receiving the award for the agency, and the 21st award received since operations commenced in 1986.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We express appreciation to the staff of the Finance Department for the significant investment of time and effort needed to prepare this report. Thank you to executive management for their various contributions to the information contained in this report.

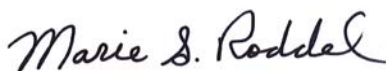
We also express deep appreciation for the innumerable efforts of our bus operators, street supervisors, dispatchers, trainers, security, safety personnel, mechanics, fleet service workers and facility maintenance staff who are directly involved with the daily provision of service to our customers.



Jorge Cruz-Aedo
Chief Executive Officer



Robert M. Saldana
Managing Director, Administration



Marie S. Roddel
Director of Finance



CORPUS CHRISTI REGIONAL
TRANSPORTATION AUTHORITY

Corpus Christi Regional Transportation Authority
Fiscal 2018 Comprehensive Annual Financial Report
Introductory Section | GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Corpus Christi Regional
Transportation Authority, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



BOARD OF DIRECTORS AND ADMINISTRATION

BOARD OF DIRECTORS

REGIONAL TRANSPORTATION AUTHORITY BOARD OF DIRECTORS

Terms of Office and Board Service

<u>MEMBER</u>	<u>APPOINTMENT</u>	<u>TERM EXPIRATION</u>	<u>BEGAN SERVICE</u>
Edward Martinez <i>Board Chairman</i>	RTA Board	January 8, 2020	October 9, 2013
George Clower <i>Board Member</i>	City of Corpus Christi	June 30, 2020	July 11, 2012
Patricia Dominguez <i>Board Member</i>	City of Corpus Christi	June 30, 2020	October 4, 2017
Anne Bauman <i>Board Member</i>	City of Corpus Christi	June 30, 2020	December 6, 2017
Philip Skrobarczyk <i>Board Member</i>	City of Corpus Christi	June 30, 2020	March 6, 2018
Matt Woolbright <i>Board Member</i>	City of Corpus Christi	June 30, 2020	July 11, 2018
Tom Niskala <i>Board Member</i>	Nueces County	September 30, 2019	October 14, 2015
Scott Harris <i>Board Member</i>	Nueces County	September 30, 2019	March 2, 2016
Dan Leyendecker <i>Board Secretary</i>	Nueces County	September 30, 2019	October 14, 2017
Michael Reeves <i>Board Vice Chairman</i>	Committee of Mayors	September 30, 2019	October 9, 2013
Glenn Martin* <i>Board Member</i>	Committee of Mayors	September 30, 2019	October 14, 2015

*Previously served for two years from 10-5-2005 to 9-19-2007.



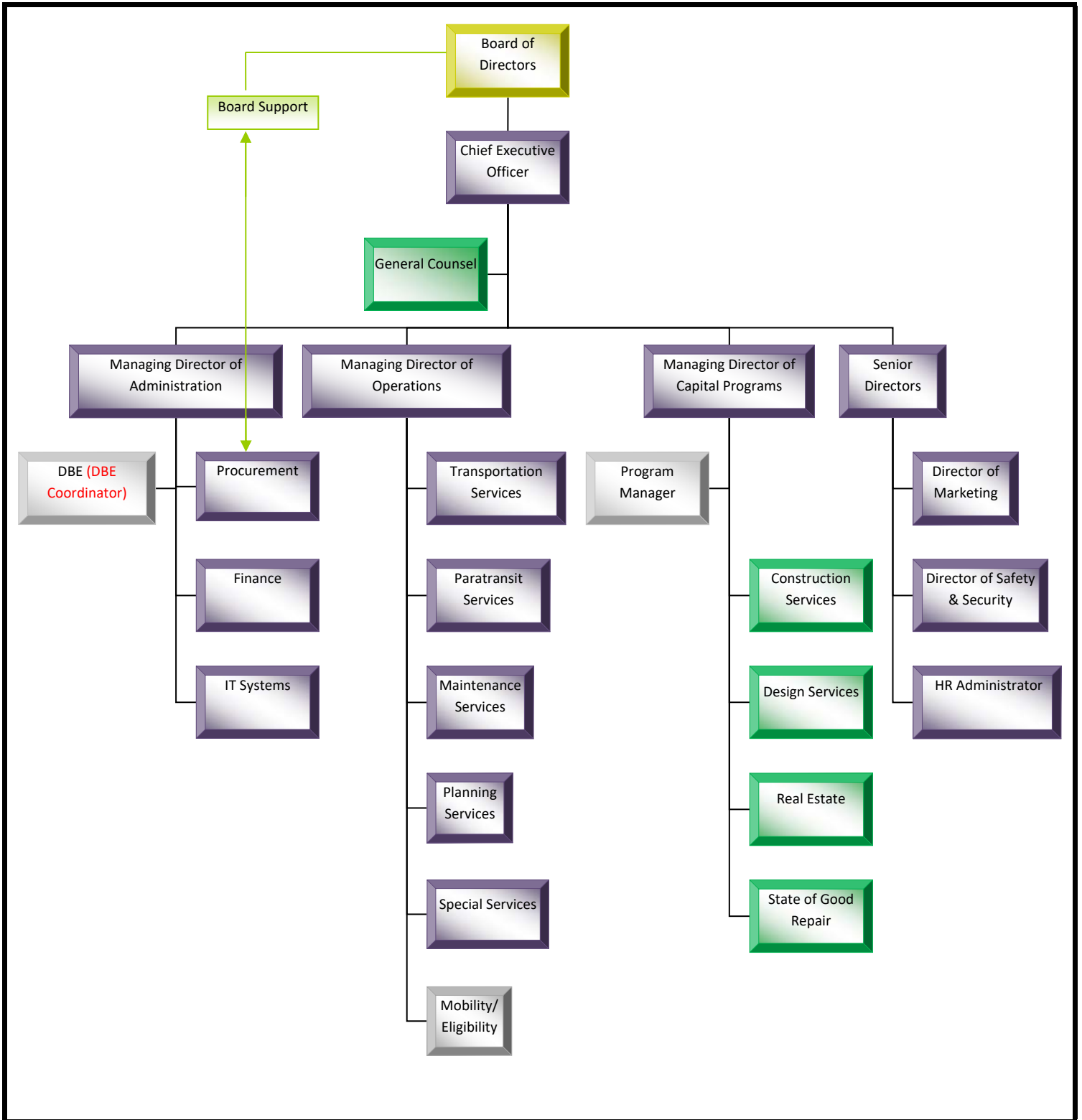
ADMINISTRATION

Chief Executive Officer
Managing Director of Administration
Managing Director of Capital Programs
Managing Director of Operations

Jorge Cruz-Aedo
Robert M. Saldaña
Sharon Montez
Jennifer Fehribach

Director of Finance
Director of Human Resources
Director of Information Technology
Director of Maintenance
Director of Marketing
Director of Planning
Director of Procurement
Director of Safety and Security
Director of Transportation
DBE/EEO Compliance Officer
Comptroller

Marie S. Roddel
Angelina Gaitan
David Chapa
Bryan Garner
Rita Patrick
Gordon Robinson
Annie Hinojosa
Mike Rendon
Derrick Majchszak
Christina Perez
Daniel Benavidez





2018

Financial Section

Comprehensive Annual Financial Report





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INDEPENDENT AUDITORS' REPORT

Board of Directors of the
Corpus Christi Regional Transportation Authority
Corpus Christi, Texas

We have audited the accompanying financial statements of the Corpus Christi Regional Transportation Authority (the "Authority") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the Corpus Christi Regional Transportation Authority adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$1,215,616) to the December 31, 2017 net position. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Authority as of and for the year ended December 31, 2017 were audited by other auditors whose report dated August 16, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–20, Schedule of Pension Plan on page 60, Schedule of Contributions on pages 62-63, Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios on page 64, and Schedule of Authority's Contributions on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section, Supplemental Schedules, the Schedule of Expenditures of Federal Awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's 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.

Case, Riggs & Ingram, L.L.C.

Corpus Christi, Texas
July 30, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to the accompanying basis financial statements in the form of Management's Discussion and Analysis (MD&A). We encourage readers to consider this information in conjunction with the information provided in our transmittal letter found in the introductory section of this report and all other information presented in the notes to the financial statements and other sections.

FINANCIAL HIGHLIGHTS

- Net position was \$86,033,144 at December 31, 2018, a decrease of \$9,141,767 from December 31, 2017. Factors that contributed to the decrease in net position include a reduction in federal grant revenue and the increase in expenses due to assumption changes to the pension plan along with the cumulative effect of the change in accounting principle associated with post-employment benefits other than pension (OPEB).

As a proactive measure, the Board of Directors approved a \$2.5M additional contribution to the Defined Benefit Pension Plan in 2019 in order to decrease the Net Pension Liability for future years.

- From the net position of \$86,033,144 as of December 31, 2018, the Authority recorded a net investment in capital assets of \$59,125,576, restricted assets of \$1,611,302 for debt service under a bond covenant, and unrestricted assets of \$25,296,266. The unrestricted portion represents the amount of funds available that the Authority may use at its discretion or to meet ongoing obligations.
- In 2018 sales tax revenue was \$33,934,640 compared to \$32,570,355 collected in 2017, representing an increase of \$1,364,285 or 4.18%. Investment income also recorded an increase with earnings exceeding 2017 by \$323,501 or 378%. Operating revenues which include passenger fares decreased by \$56,517 or -2.25% in comparison to 2017. Federal operating and capital grant revenue decreased by \$15,779,511 as the bus replacement program calls for purchases every other year, 2018 being the off year.
- As of December 31, 2018, the Authority had long-term obligations of \$26,564,761, comprised of \$18,650,000 in long-term debt, net of current maturities, a \$6,468,642 net pension liability, a \$1,101,367 net OPEB obligation and \$344,752 in accrued compensated absences.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion serves to introduce the Authority's basic financial statements. These statements have two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is structured as a stand-alone proprietary fund and presents its financial information using the accrual basis of accounting similar to the way private sector businesses present their financial information. Revenues are recognized in the financial statements when both earned and measurable, not when actually received in cash. Expenses are recognized when they are incurred, not when they are paid. The historical costs of capital assets are capitalized and depreciated over the estimated useful life of the assets.

The *Statement of Net Position* presents information on all of the Authority's assets, deferred outflows, liabilities, and deferred inflows; with the difference between them being reported as net position. This is a measure of financial position, which can indicate improvement or deterioration from year to year. The presentation of net position also distinguishes between those invested in capital assets, restricted by bond covenant, and those that are unrestricted by external parties or legal requirements.

The *Statement of Revenues, Expenses and Changes in Net Position* accounts for the change in net position by showing the activities that caused the change. This statement measures the Authority's operations and can also be used to determine whether the Authority has successfully recovered all of its costs through fares and other user charges, sales taxes received, subsidies and other sources of funding available.

The *Statement of Cash Flows* provides details about the Authority's sources of, uses of and the change in cash over a fiscal year. This information is categorized into operating, non-capital financing, capital and related financing and investing activities.

The Authority also has fiduciary responsibility for two employee retirement funds and presents two financial statements related to them: (a) Fiduciary Funds - Statement of Net Position and (b) Fiduciary Funds - Statement of Changes in Net Position, which follow the government-wide financial statements. There is also information concerning these plans in Note 5 in the notes to the financial statements.

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.

The Authority's basic financial statements can be found beginning on page 20.

FINANCIAL ANALYSIS

Statement of Net Position:

Net Position: Total net position may serve, over time, as a useful indicator of an entity's financial position. Increases in net position indicate an improved financial position while decreases indicate deterioration of financial position. The Statement of Net Position provides the necessary information on which to base this determination. The net position is presented in three components: (1) the net invested in capital assets, (2) the restricted by bond covenants, and (3) the unrestricted and available for operations. Of the Authority's net position, 66.34% is the net invested in capital assets consisting of buses, equipment, bus stops, shelters, stations, operating facilities and related land net of related debt. The Authority uses these assets for the purpose of achieving its mission.

Table 1 provides summary multi-year comparative information about the Authority's net position. The change in net position can be explained by looking at the other components of the Statement of Net Position.

Table 1
Condensed Summary of Net Position

	At December 31			At December 31		
	2018	2017	Change	2017	2016	Change
Current Assets	\$ 33,839,367	34,285,098	(445,731)	34,285,098	31,558,243	2,726,855
Restricted Assets	1,611,302	1,611,302	-	1,611,302	1,728,452	(117,150)
Capital Assets	78,370,576	86,084,480	(7,713,904)	86,084,480	79,462,570	6,621,910
Total Assets	113,821,245	121,980,880	(8,159,635)	121,980,880	112,749,265	9,231,615
Deferred Outflows of Resources	5,170,677	3,411,606	1,759,071	3,411,606	4,550,803	(1,139,197)
Total Assets and Deferred Outflows	118,991,922	125,392,486	(6,400,564)	125,392,486	117,300,068	8,092,418
Current Liabilities	4,889,440	7,543,197	(2,653,757)	7,543,197	6,922,359	620,838
Long-Term Liabilities	26,564,761	22,195,204	4,369,557	22,195,204	23,761,056	(1,565,852)
Total Liabilities	31,454,201	29,738,401	1,715,800	29,738,401	30,683,415	(945,014)
Deferred Inflows of Resources	1,504,577	479,174	1,025,403	479,174	195,034	284,140
Total Liabilities and Deferred Inflows	32,958,778	30,217,575	2,741,203	30,217,575	30,878,449	(660,874)
Invested in Capital Assets	59,125,576	66,264,480	(7,138,904)	66,264,480	59,298,433	6,966,047
Restricted for Debt Service	1,611,302	1,611,302	-	1,611,302	1,611,302	-
Unrestricted	25,296,266	27,299,129	(2,002,863)	27,299,129	25,611,884	1,687,245
Total Net Position	\$ 86,033,144	95,174,911	(9,141,767)	95,174,911	86,421,619	8,753,292

At the close of December 31, 2018, the Authority's net position was \$86,033,144. A significant portion of the Authority's total net position in all years reported is represented by capital assets used to provide public transportation services. Of the total net position, \$59,125,576 or 68.72% represents net investment in capital assets, \$1,611,302 was restricted for debt service and the remaining \$25,296,266 was unrestricted. The decrease in unrestricted funds resulted from an increase in liabilities.

Net position decreased by \$9,141,767 in 2018 from the prior year, going from \$95,174,911 to \$86,033,144. Total assets and deferred outflows provided a net decrease of \$6,400,564. The decrease is primarily due to the decrease in Capital Assets of \$7,713,904 offset partially by an increase in deferred outflows related to pensions in the amount of \$1,759,071.

The Authority's total liabilities increased by \$1,715,800 in comparison to 2017, while the deferred inflows increased by \$1,025,403, producing a combined increase of \$2,741,203. Factors contributing to the increase in total liabilities of \$1,715,800 include a \$2,653,757 decrease in current liabilities and a \$4,369,557 increase in long-term liabilities that is primarily due to the change in pension plan and the net OPEB Obligation resulting from the implementation of GASB 75 that became effective for the Authority on January 1, 2018.

The Authority's net position at December 31, 2017 totaled \$95,174,911. Of this amount, \$66,264,480 (69.62%) represents the Authority's net investment in capital assets, \$1,611,302 was restricted for debt service, and the remaining \$27,299,129 was unrestricted. Net position increased \$8,653,292 from 2016 due to the increase of \$7,992,418 in total Assets and Deferred Outflows and a \$660,874 decrease in Total Liabilities and Deferred Inflows.

Current Assets: At the end of 2018, the Authority's current assets had decreased by \$445,731 from the end of 2017. The reduction in current assets is primarily due to a \$1,405,332 decrease in federal grant receivables. In 2018 receivables totaled \$6,558,461 while at the end of 2017 receivables totaled \$7,617,929 which reflected the overall decrease in receivables of \$1,059,468. Cash and cash equivalents increased by \$531,521, investments increased by \$78,910 and inventories increased by \$104,641. Prepaid expenses were lower in 2018 by \$101,335. The Authority continues a strategy to maintain adequate resources for replacement, enhancement and expansion of capital assets and withstanding economic uncertainty.

At the end of 2017, the Authority's current assets had increased by \$2,726,855 from the end of 2016. Investments decreased by \$3,976,514 with cash increasing by \$5,000,882, along with an increase in receivables of \$1,680,434. The reallocation to cash and cash equivalents from investments is the result of a change in the investment strategy to participate in the local government investment pool (LGIP). Prepaid expenses were higher in 2017 by \$82,295 while inventories decreased by \$60,242.

Restricted Assets: At the end of 2018, the Authority's restricted assets totaled \$1,611,302, a change of \$0 from 2017. These funds were held in reserve in accordance to bond debt covenants.

Capital Assets: As of December 31, 2018, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled \$70,899,151, an increase of \$8,921,649 from December 31, 2017. During the year, capital assets totaling \$1,217,962 were acquired, retirements net of depreciation totaled \$10,217, and depreciation totaling \$8,931,866 decreased the carrying value. The 2018 capital additions include:

- ◆ The construction of a bus shelter for a local high school
- ◆ The purchase of a revenue Genfare Vault
- ◆ The purchase of Genfare Server
- ◆ The purchases of two (2) Mobile Bus Lifts
- ◆ The purchase of one (1) Utility Hauling Trailer
- ◆ The purchase of diesel engine diagnostic software
- ◆ The purchase of network switches associated with technology enhancements

As of December 31, 2017, the Authority's overall investment in capital assets (net of accumulated depreciation) totaled \$86,084,480, an increase of \$6,521,910 from December 31, 2016. During the year, capital assets totaling \$15,099,094 were acquired, retirements net of depreciation totaled \$305,219, and depreciation totaling \$8,271,963 increased the carrying value. Significant 2017 capital additions include:

- ◆ Completion of tenant buildout at the Staples Street Center
- ◆ The purchase of eleven (11) 35-foot, CNG-fueled Gillig buses for fixed route service
- ◆ The purchase of seven (7) 25-foot, CNG-fueled Arboc buses for paratransit service
- ◆ The purchase of land near the Port Ayers station for potential future expansion
- ◆ The implementation of a mass notification system for emergency communications

- ◆ The purchase of thirteen (13) electric operator relief vehicles and a charging station
- ◆ The purchase of eleven (11) maintenance support pickup trucks
- ◆ Completion of a bus lift
- ◆ Installation of an interactive multimedia wall for veterans at the Staples Street Center.

Additional details about the Authority's capital asset activities are presented in Note 3 of the notes to the financial statements.

Table 2

	<u>Federal and Other Funding</u>	<u>Local Funding</u>	<u>Total</u>
At December 31, 2018:			
Capital Assets At Cost	\$ 76,648,975	\$ 72,620,753	\$ 149,269,728
Less Accumulated Depreciation	52,330,173	18,568,979	70,899,152
Capital Assets, Net	\$ 24,318,802	\$ 54,051,774	\$ 78,370,576
At December 31, 2017			
Capital Assets At Cost	\$ 75,987,545	\$ 72,074,437	\$ 148,061,982
Less Accumulated Depreciation	46,647,604	15,329,898	61,977,502
Capital Assets, Net	\$ 29,339,941	\$ 56,744,539	\$ 86,084,480

Liabilities: The Authority's total liabilities as of December 31, 2018 are \$31,454,201, an increase of \$1,715,800 from the \$29,738,401 in 2017. Of the balance for total liabilities, \$4,889,440 is current and customary to the Authority's business operations and \$26,564,761 are long-term liabilities. Current liabilities decreased by \$2,653,757, mainly due to decreases in accounts payable and in amounts due to other governmental entities for street improvements. Long-term liabilities increased by \$4,369,557, going from \$22,195,204 in 2017, to \$26,564,761. The increase is mostly attributable to the combined effect of obligations from GASB 68 and GASB 75. The pension liability from GASB 68 increased by \$4,085,405 from the prior year due to the change in the plan assumptions, while the implementation of GASB 75 resulted in a \$729,610 increase in the OPEB liability which provided a combined increase of \$4,815,015 from the prior year balances.

As of December 31, 2017, are \$29,738,401, a decrease of \$945,013 from 2016. Of the balance for total liabilities, \$7,543,197 is current and customary to the Authority's business and \$22,195,204 are long-term liabilities. Current liabilities increased by \$620,838 mainly due to increased accounts payable related to capital assets and offset by decreased amounts due to other governmental entities for street improvements and retained amounts payable to contractors. Meanwhile, long-term liabilities decreased by \$1,565,852 in 2017. The decrease is mostly attributable to a decrease in net pension liability of \$937,172.

Statement of Revenues, Expenses and Changes in Net Position:

Change in Net position: While the Statement of Net Position focuses on financial position at a point in time, the Statement of Revenues, Expenses, and Changes in Net Position provides further details as to what specific activities took place during the year that led to the changes shown on the Statement of Net Position. The Authority's activities are presented in Table 3.

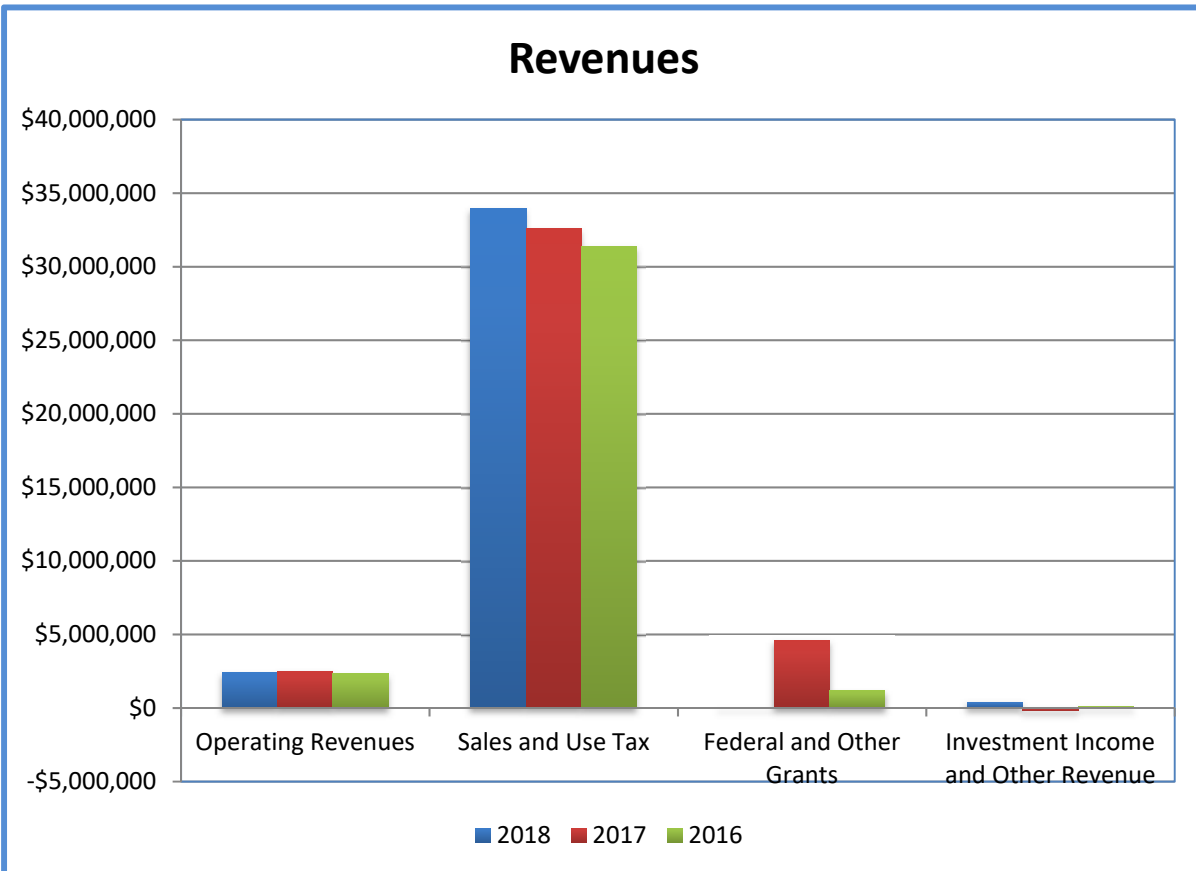
Table 3

CONDENSED SUMMARY OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended December 31			Year Ended December 31		
	2018	2017	Change	2017	2016	Change
Revenues:						
Passenger Service	\$ 1,688,643	1,696,742	(8,099)	\$ 1,696,742	1,735,001	(38,259)
Bus Advertising	142,555	146,452	(3,897)	146,452	159,662	(13,210)
Other Operating Revenues	614,707	659,228	(44,521)	659,228	434,860	224,368
Non-Operating Revenues						
Sales and Use Tax	33,934,640	32,570,355	1,364,285	32,570,355	31,387,198	1,183,157
Federal and Other Grants	58,410	4,618,731	(4,560,321)	4,618,731	1,185,650	3,433,081
Investment Income	409,036	85,535	323,501	85,535	69,049	16,486
Gain/Loss on Property Disposed	-	(269,101)	269,101	(269,101)	32,007	(301,108)
Total Revenues	36,847,991	39,507,942	(2,659,951)	39,507,942	35,003,427	4,504,515
Expenses:						
Operating Expenses (net of lease revenue)	33,144,684	30,836,739	2,307,945	30,836,739	30,167,792	668,947
Depreciation	8,931,866	8,271,963	659,903	8,271,963	7,541,912	730,051
Distribution - Regional Entities	2,807,222	3,003,298	(196,076)	3,003,298	3,170,013	(166,715)
Subrecipients	46,299	99,479	(53,180)	99,479	71,560	27,919
Interest in Fiscal Charges	1,028,997	1,047,287	(18,290)	1,047,287	637,621	409,666
Total Expenses	45,959,068	43,258,766	2,700,302	43,258,766	41,588,898	1,669,868
Net Income/(Loss) Before Capital Grants and Donations	(9,111,077)	(3,750,824)	(5,360,253)	(3,750,824)	(6,585,471)	2,834,647
Capital Grants and Donations	1,184,926	12,404,116	(11,219,190)	12,404,116	1,289,577	11,114,539
Change in Net Position	(7,926,151)	8,653,292	(16,579,443)	8,653,292	(5,295,894)	13,949,186
Net Position, Beginning of Year, as Restated	93,959,295	86,521,619	7,437,676	86,521,619	91,817,513	(5,295,894)
Net Position, End of Year	\$ 86,033,144	95,174,911	(9,141,767)	\$ 95,174,911	86,521,619	8,653,292

As shown on the statement of Revenues, Expenses, and Changes in net position, the Authority's net position decreased by \$7,926,151 at the close of December 31, 2018. When combined with the adjustment to net position associated with the implementation of GASB 75 (OPEB), the actual change is \$9,141,767. The decrease is partially due to the \$2,659,951 decrease in Total Revenues. The primary source of the negative variance was federal and other grants (non-operating revenue). Revenues from sales tax and investment income were up by \$1,364,285 and \$323,501 respectively.

The discussion on the following pages provides details of the more significant aspects of the Authority's operating activities that changed net position.



Revenues: The Authority's revenues are from sources customary to the public mass transportation industry. Total revenues are made up primarily of sales and use taxes with the smaller share of overall revenues generated from user charges and other ancillary revenues, grants used for operating assistance, earnings from investing activities, and occasional gains from disposing of property owned by the Authority.

In 2018, the Authority's total revenues decreased by \$2,659,951 going from \$39,507,942 in 2017 to \$36,847,991. The decrease is due primarily to the funding delay of federal grants that would have been used for preventive maintenance on revenue vehicles.

In 2017, the Authority's total revenues increased \$4,504,515 from 2016, mainly from an increase in sales tax of \$1,183,157 from 2016, and an increase in federal grant revenue of \$3,433,081 from 2016. Operating revenues for 2017 were \$172,899 higher than 2016 and non-operating revenue including investment income declined \$284,622 due to a loss taken on the disposal of capital assets.

◆ Operating Revenues include user charges for transportation services, bus bench advertising, onboard advertising and other ancillary operating revenues. For 2018, revenues from operations which represented 6.6% of total revenues, were down \$ 11,996 from 2016. The decrease in passenger fares represented a decrease of 0.004 percent while revenue from bus



advertising revenues came in short of nearly 3% from 2017. For 2017, operating revenues of \$2,502,422 represent 6.3% of total revenues and are \$172,889 greater than in 2016. However, passenger revenues were down 2.2%, or \$38,259 compared to 2016 and represents a decrease in ridership. Overall ridership is down from 2016 by 1.7% with ridership on fixed routes down by 1.6% while paratransit ridership decreased by 4.6%.

◆ Sales and Use Tax is a dedicated ½ cent sales and use tax levied on certain goods and services sold within the region which provides the primary funding for the Authority's operating budget. For 2018, sales taxes which represented 92.1% of total revenues increased by 4% or \$1,364,285. This increase was realized during a time when sales tax revenues were being affected by the delayed filing and tax relief programs associated with the aftermath of Hurricane Harvey. The proportional relationship of sales tax revenue to total revenue increased nearly 10% and is due to the drop-in revenues from federal grants.

For 2017, sales taxes represent 82.4% of total revenues and increased 4.0% from 2016, indicating a strengthening of the regional economy. Significant construction projects such as the new Harbor Bridge, as well as capital investment in the Gregory area have invigorated the local economy. These projects, coupled with consumer and commercial spending related to the region's recovery in the aftermath of Hurricane Harvey, continue to generate strong sales tax collections. In 2016, sales taxes were 89.5% of total revenues and were 8.0% lower than in 2015, mainly related to the slowdown of Eagle Ford Shale activities.

◆ Operating Grant Assistance represents reimbursements to the Authority for preventative maintenance activities, the cost of certain work-related routes and regional mobility coordination, in addition to the FEMA reimbursement related to the Hurricane Harvey. The Authority has the option of utilizing its annual "Formula" grants provided by the Federal Transit Administration (FTA) for operating assistance or to fund capital asset acquisitions.

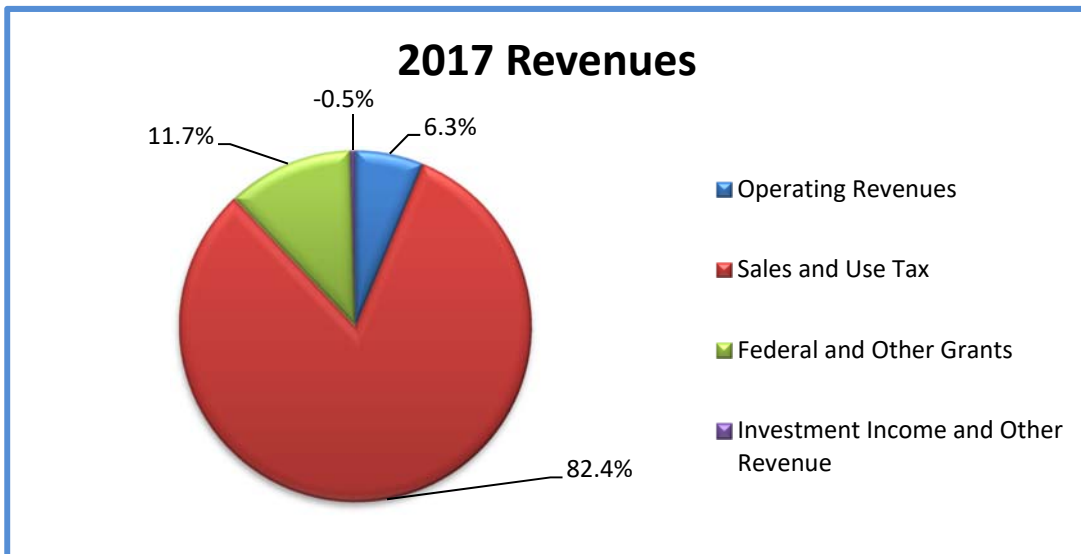
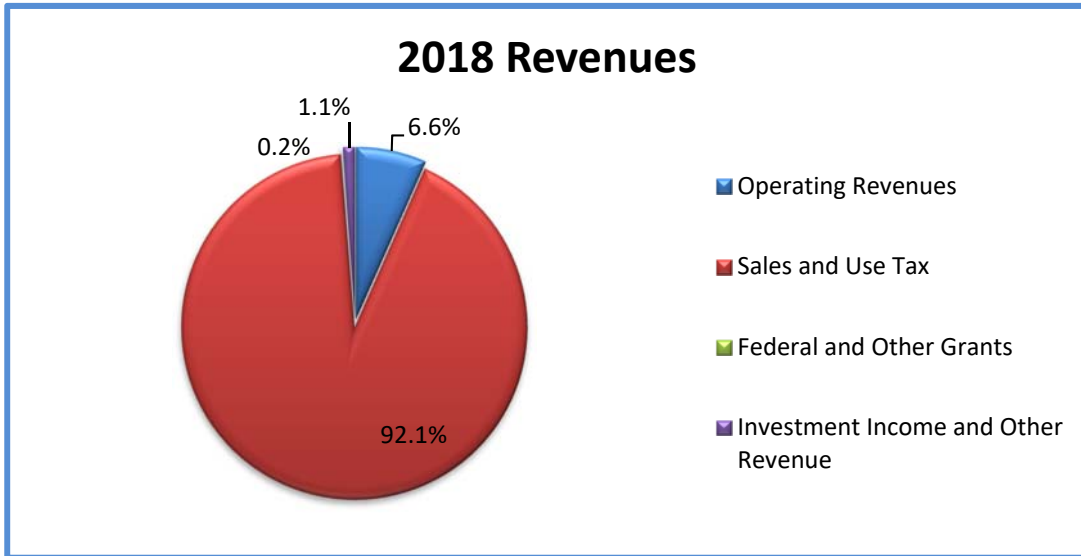
In 2018 the income from federal grant assistance was down by \$4,560,321 from 2017. The timing delays in receiving federal operating grants caused the significant drop from 2016.

In 2017 and 2016, these grant revenues were primarily made up of reimbursements for operating assistance for preventive maintenance on revenue vehicles, ADA paratransit services, FTA Job Access and Reverse Commute used to help pay for the cost of certain work-related routes and regional mobility coordination, and a small amount from a New Freedom Grant for travel training. In 2017, these grants represent 11.7% of total revenues compared to 3.4% in 2016, and 6.4% in 2015.

◆ Investment Income is income earned from the Authority's investing activities. Income generated from the portfolio increased by \$323,501 or 378% from 2017. The increase reflected income from the TexPool accounts over twelve full months in 2018 in comparison to two months in 2016 when the accounts were first established.

In 2017, income generated from the portfolio increased \$16,486 from 2016. This increase was primarily due to the shifting cash deposits earning little to no yield to TexPool which yielded 1.47% as of December 31, 2017.

In 2018, the Authority did not receive any income for the disposal of assets. In 2017, sales or disposals of assets resulted in a loss of \$269,101 compared to a gain of \$32,007 in 2016. Other revenues have been included with interest income on the revenue charts below.



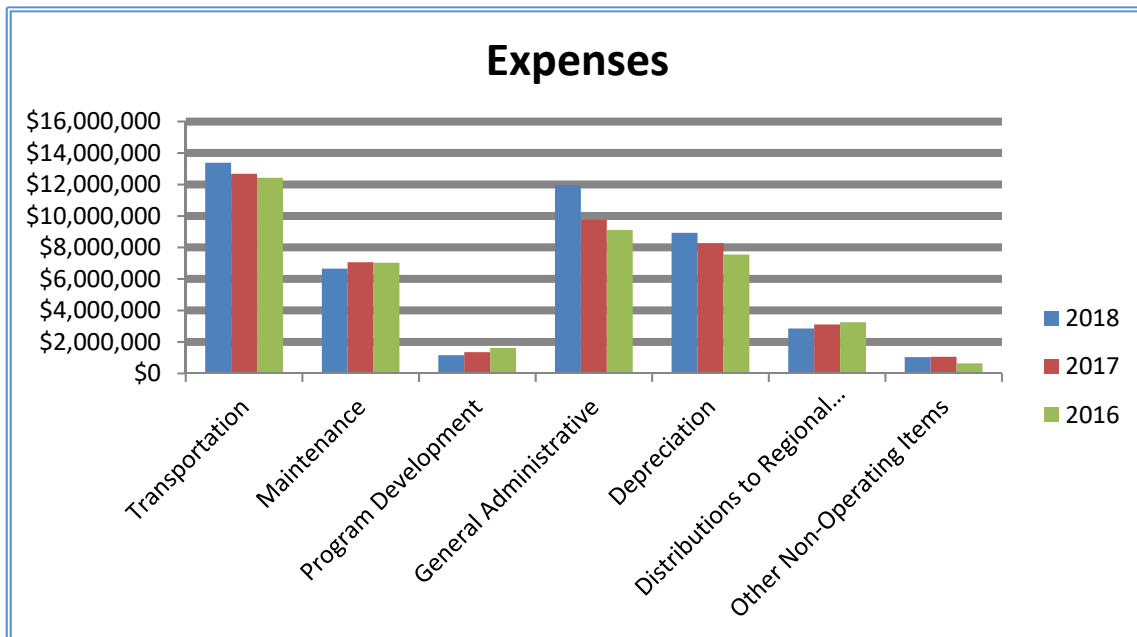


Expenses: The Authority's expenses consist of two types of cost categories; operating expenses and non-operating expenses. Operating expenses are identified as the total cost of providing public transit services including depreciation of capital assets. Included are the costs incurred from directly operated services and those costs incurred from contracted services of a private transportation provider. In the transit industry the contracted service is commonly known as "Purchased Transportation". Operating expenses also include all the indirect cost of planning and program development along with general administrative expenses.

Non-operating expenses involve costs that are not directly associated with core operations but are incurred in the normal course of providing services. Included are distributions to regional entities for the Authority's street improvement program, fiscal and interest charges and payments for grant subrecipient programs.

In 2018, total expenses were \$45,959,068, an increase of \$2,700,302 (6.24%) over total expenses of \$43,258,766 in 2017.

In 2017, total expenses were \$43,258,766, an increase of \$1,669,869 (4.0%) over 2016. In 2016, total expenses were \$41,588,898.



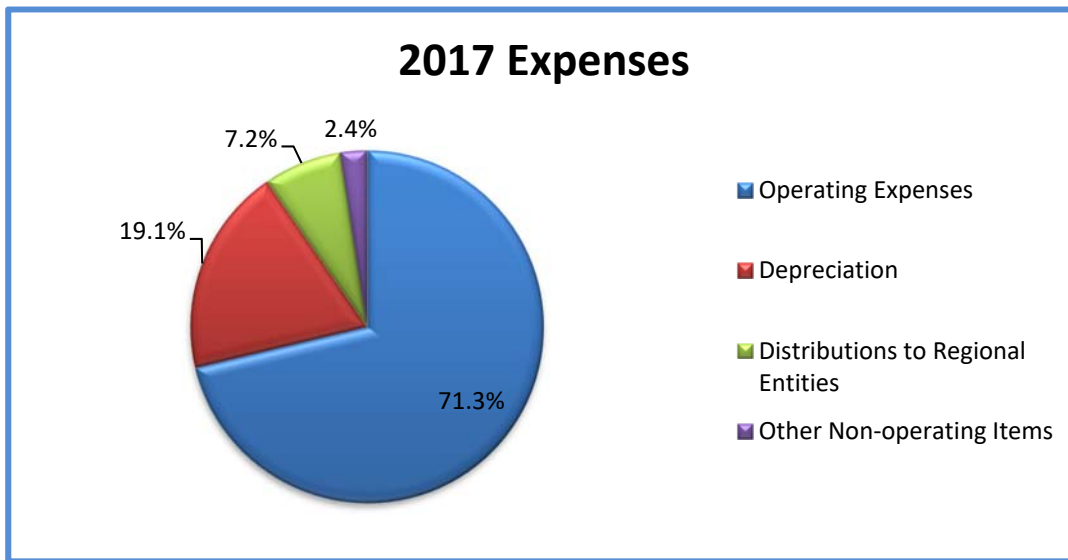
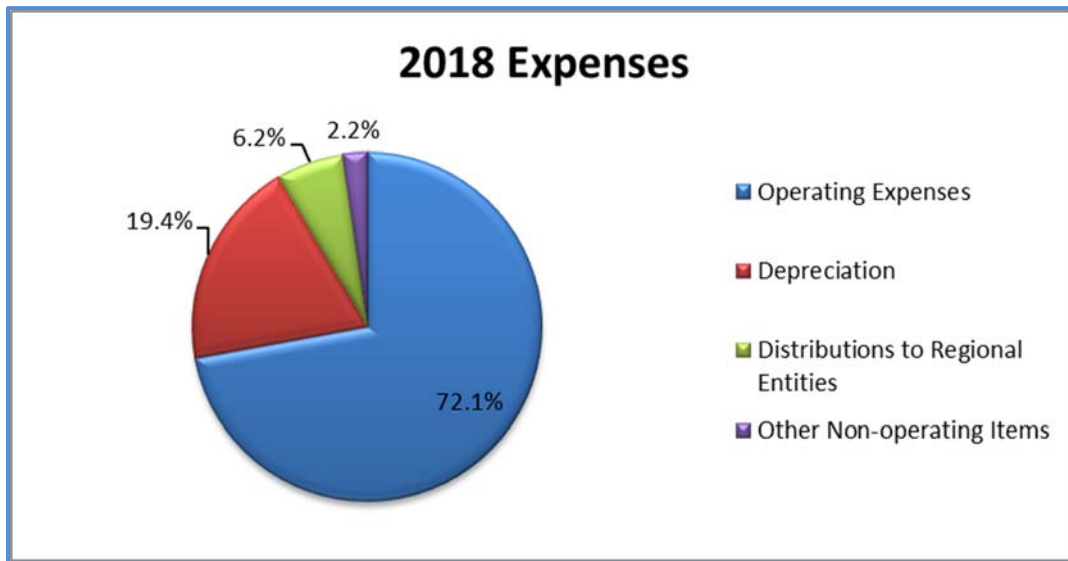


- ◆ **Operating Expenses:** The largest component of the Authority's total expenses is operating expenses. These expenses excluding depreciation expense, account for 72.12% and 71.28% of total expenses in 2018 and 2017, respectively.

As shown in Table 3, operating expenses increased by \$2,307,945 or 7.48% in 2018. The increase comes as a result of the implementation of GASB 75 (OPEB) and the change in pension plan assumptions. Excluding these items, departmental operating expenses did see a slight decrease in 2018. The decrease is attributed to the savings from several departments which more than covered the increase in the cost of providing purchased transportation services and Van Pool Services. This is a result of higher ridership in demand response services which is better known as Door to Door or Curb to Curb service coupled with increases in overtime cost stemming from bus operator shortages. Labor shortages in the transportation industry has become prevalent nationwide and the Authority is working on recruiting and compensation solutions to attract and retain bus drivers and other core transit positions. There has also been a surge in commuting alternatives such as Van Pool services which have doubled since 2017. This type of service is subsidized by the Authority.

Other department costs came in lower than 2017. Namely: transportation by \$225,826, Customer Programs by (\$1,052), MIS by \$33,526, Vehicle Maintenance by (\$323,879) Facilities Maintenance by (\$65,586), Materials Management by (\$21,036), Administrative and General by (\$843,590) and Marketing & Communications by (\$247,031). The decrease in expenses for these departments are attributed to job vacancies, savings from alternative fuel costs from the expansion of CNG fleet and lower energy costs stemming from a new negotiate contract that was placed in early 2018.

For 2017, operating expenses increased by \$668,947 (2.2%) over 2016. Transportation costs which include both directly operated services and purchased transportation services increased \$253,009 (2.0%) mainly due to higher wages for bus operators. Maintenance costs (including vehicle maintenance, facilities management net of lease revenue, and materials management) increased by \$32,055 (0.5%) in 2017. Costs for program development (including service development, customer programs, and marketing) decreased by \$257,427 (16.0%). Administrative costs, including management information systems (MIS), increased \$641,310 (7.0%) from 2016 mainly attributable to costs associated with employee health insurance.



Depreciation: Depreciation expense was \$659,903 (7.9%) higher in 2018 than 2017 due to depreciation due revenue buses that were acquired in 2017 but were not placed in service until 2018.

In 2017 depreciation was \$730,051 (9.7%) higher in 2017 than 2016 due to depreciation on buses acquired in 2015 as well as the completed Staples Street Center. In 2016, depreciation was \$834,623 (10.0%) lower than 2015.

Distributions to Regional Entities: The Authority, through collaborative efforts with the regional member government entities, maintains a street improvement program for the purpose of constructing, rebuilding and rehabilitating streets within its service region. These projects represent a major investment in enhancing mobility, reducing congestion and improving the overall service area. The streets are not the property of the Authority and, thus, the

expenditures are reported as non-operating expenses in the Authority's financial statements. The level of funding is determined by a formula used to calculate the allocations for each of the member cities based on the sales tax receipts for a specific period.

In 2018, these costs decreased by \$196,076 or 6.5% going from \$3,003,298 to \$2,807,222 and is due to a decrease in the budgeted sales tax revenue.

In 2017, these costs decreased \$166,715 (5.3%) from 2016 due to a decrease in budgeted sales tax revenue. In 2016, the costs of the program increased \$161,580 (5.4%) from 2015 due to an increase in budgeted sales tax revenue.

Fiduciary Funds: Following the government-wide basic financial statements are similar financial statements for the Authority's two fiduciary funds. These statements provide financial information about the Authority's defined benefit pension and defined contribution retirement plans.

During 2018, the net decrease in value of the plans' asset decreased by \$2,829,397 or 6.10% going from \$46,338,474 to \$43,509,077. The decrease is due to primarily to investment losses that totaled \$2,662,976.

During 2017, strong performance in the fixed income markets resulted in a \$5,300,379 (12.9%) net increase in value of the plans' assets since the end of 2016. During 2016, strong performance in the fixed income markets resulted in a \$2,995,191 (7.9%) net increase in value of the plans' assets since the end of 2015. Note 5 in the notes section provides a discussion of the administration of the plans and there are further details contained in required supplementary information and supplemental schedules contained in the financial section of this CAFR.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For 2019, operating expenses including depreciation are budgeted at \$44,354,735. This represents a 11.64% increase over the final 2018 budget. Sales Tax Revenue, the authority's largest revenue source, was budgeted at \$35,115,261 which represents an increase of 9.03% over the 2018 budget. Sales tax revenue is expected to equal 79.17% of operating expenses in 2019 as opposed to 81.06% in the 2018 budget. Sales tax collections in the first quarter of 2019 reflect a negative growth of 7.20% YOY but include audit adjustments totaling \$181,295.97.

Optimism continues about the local economy as projects valued at over \$30 billion in total capital investments continue to progress. Included is the replacement of the Harbor Bridge and the pending construction of the world's largest ethylene cracker plant in nearby Gregory.

The 2019 budget is formulated with cautious optimism that sales tax collections would continue the upward trend that was experienced in 2018. The Authority took a conservative approach in

its sales tax estimate for 2019 based on economic indicators along with information from various economic sources.

Fare revenues for 2019 are budgeted at \$ 1,875,437 an increase of \$43,862 or 2.39% over 2018. As of the reporting of this document, revenues are exceeding budget projections by year-to-date 5.64%.

Operating expenses for the first quarter of 2019, actual expenses came in below budget by \$364,561 or 12.43%.

Other assumptions in the 2019 budget include the continuation of improvements to our services which experienced major service enhancements in 2018 to provide more direct service and more frequent and faster service. The partnership with MV Transportation has been expanded to include more of the contractor's operators providing fixed route services utilizing the small Arboc buses previously used primarily for paratransit services. Other notable factors include a 5% step increase for bus operators and a 2% COLA increase for bus operators not eligible for the 5% step increase and non-operator employees.

The 2019 budget includes funding for increased technological enhancements and preventive maintenance, which is available through federal grants.

Several significant capital projects are planned for 2019. The costs will be funded with a combination of FTA and local funds.

During 2019, the Authority is continuing to carefully assess factors in the local economy and ways to increase revenues or decrease costs in order to live within the means available. Passenger fares are currently going through a comprehensive evaluation. The firm of Nelson Nygaard has been contracted to conduct a Fare Equity Analysis. Fare recommendations are currently being considered by management and is expected to go the August Board Meeting. The approval process is highly regulated and is estimated to take 90 days. If approved, the implementation date would be scheduled for January 1, 2020.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or requests for additional information should be addressed to Open Records Request, Attn: Monica Jasso, Corpus Christi Regional Transportation Authority, 602 N Staples St, Corpus Christi, Texas 78401-2802, (361) 289-2712. The Comprehensive Annual Financial Report will also be posted on the Authority's website: www.ccrta.org



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Statement of Net Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 2)	\$ 21,259,831	\$ 20,728,310
Investments (Note 2)	5,104,906	5,025,996
Receivables:		
Sales and Use Taxes	6,015,928	5,753,658
Accrued Interest	38,377	20,473
Federal Government	258,243	1,663,575
Other	245,913	180,223
Inventories	654,775	550,134
Prepaid Expenses	261,394	362,729
Total Current Assets	<u>33,839,367</u>	<u>34,285,098</u>
Non-Current Assets:		
Restricted Cash and Cash Equivalents (Note 2)	1,611,302	1,611,302
Capital Assets (Note 3):		
Land	5,381,969	5,381,969
Buildings	53,734,210	53,615,679
Transit Stations, Stops and Pads	23,592,450	23,407,608
Other Improvements	5,525,123	5,442,159
Vehicles, Furniture and Equipment	60,369,148	56,807,561
Construction in Progress	666,827	3,407,006
Total Capital Assets	<u>149,269,727</u>	<u>148,061,982</u>
Less: Accumulated Depreciation	<u>(70,899,151)</u>	<u>(61,977,502)</u>
Net Capital Assets	<u>78,370,576</u>	<u>86,084,480</u>
Total Non-Current Assets	<u>79,981,878</u>	<u>87,695,782</u>
TOTAL ASSETS	<u>113,821,245</u>	<u>121,980,880</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow related to pensions (Note 5)	<u>5,170,677</u>	<u>3,411,606</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>118,991,922</u></u>	<u><u>125,392,486</u></u>

Continued on next page



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Statement of Net Position (continuation)

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	316,287	2,854,439
Contractors Retainage Payable	-	-
Current Portion of Long-Term Liabilities (Note 4):		
Long-Term Debt	595,000	575,000
Compensated Absences	283,472	354,908
Distributions to Regional Entities Payable	3,077,888	3,068,313
Other Accrued Liabilities	616,793	690,537
Total Current Liabilities	<u>4,889,440</u>	<u>7,543,197</u>
Long-Term Liabilities, Net of Current Portion (Note 4):		
Long-Term Debt	18,650,000	19,245,000
Compensated Absences	344,752	195,210
Net Pension Liability (Note 5)	6,468,642	2,383,237
Net OPEB Obligation (Note 6)	1,101,367	371,757
Total Long-Term Liabilities	<u>26,564,761</u>	<u>22,195,204</u>
TOTAL LIABILITIES	<u>31,454,201</u>	<u>29,738,401</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pensions (Note 5)	1,504,577	479,174
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>32,958,778</u></u>	<u><u>30,217,575</u></u>
Net Position:		
Net Invested in Capital Assets	59,125,576	66,264,480
Restricted for Debt Service	1,611,302	1,611,302
Unrestricted	25,296,266	27,299,129
TOTAL NET POSITION	<u><u>\$ 86,033,144</u></u>	<u><u>\$ 95,174,911</u></u>

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Passenger Service	\$ 1,688,643	\$ 1,696,742
Bus Advertising	142,555	146,452
Other Operating Revenues	614,707	659,228
Total Operating Revenues	<u>2,445,905</u>	<u>2,502,422</u>
Operating Expenses:		
Transportation	6,878,056	7,103,882
Customer Programs	346,575	347,627
Purchased Transportation	6,498,084	5,575,126
Service Development	434,051	380,030
MIS	811,572	845,098
Vehicle Maintenance	4,488,150	4,812,029
Facilities Maintenance (net of lease revenue of \$459,518 and \$339,945 in 2018 and 2017)	2,010,370	2,075,956
Materials Management	153,113	174,149
Administrative and General	11,152,107	8,903,205
Marketing & Communications	372,606	619,637
Depreciation	8,931,866	8,271,963
Total Operating Expenses	<u>42,076,550</u>	<u>39,108,702</u>
Operating Loss	(39,630,645)	(36,606,280)
Non-Operating Revenues (Expenses):		
Sales and Use Tax Revenue	33,934,640	32,570,355
Federal and Other Grant Assistance	58,410	4,618,731
Investment Income	409,036	85,535
Gain (Loss) on Disposition of Property	-	(269,101)
Subrecipient Programs	(46,299)	(99,479)
Interest Expense and Fiscal Charges	(1,028,997)	(1,047,287)
Distributions to Regional Entities	(2,807,222)	(3,003,298)
Net Non-Operating Revenues (Expenses)	<u>30,519,568</u>	<u>32,855,456</u>
Net (Loss) Before Capital Grants & Donations	(9,111,077)	(3,750,824)
Capital Grants & Donations	<u>1,184,926</u>	<u>12,404,116</u>
Change in Net Position	(7,926,151)	8,653,292
Net Position, Beginning of Year	<u>95,174,911</u>	<u>86,521,619</u>
Cumulative Effect of Change in Accounting Principle	(1,215,616)	-
Net Position, End of Year	<u>\$ 86,033,144</u>	<u>\$ 95,174,911</u>

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 1,688,643	\$ 1,696,741
Cash Received from Bus Advertising and Other Ancillary	1,216,780	1,002,337
Cash Payments to Suppliers for Goods and Services	(18,244,875)	(17,013,618)
Cash Payments to Employees for Services	(11,201,457)	(11,764,611)
Cash Payments for Employee Benefits	<u>(2,131,370)</u>	<u>(1,977,171)</u>
Net Cash Used for Operating Activities	<u>(28,672,279)</u>	<u>(28,056,322)</u>
Cash Flows from Non-Capital Financing Activities:		
Sales and Use Taxes Received	33,672,370	32,256,457
Grants and Other Reimbursements	169,394	4,807,510
Distributions to Subrecipient Programs	(46,299)	(99,479)
Distributions to Region Entities	<u>(2,797,647)</u>	<u>(3,264,830)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>30,997,818</u>	<u>33,699,658</u>
Cash Flows from Capital and Related Financing Activities:		
Federal and Other Grant Assistance	2,591,906	10,957,840
Proceeds from Sale of Capital Assets	-	36,118
Repayment of Long-Term Debt	(575,000)	(555,000)
Interest and Fiscal Charges	(1,090,354)	(1,048,825)
Purchase and Construction of Capital Assets	<u>(3,111,702)</u>	<u>(14,246,032)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(2,185,150)</u>	<u>(4,855,899)</u>
Cash Flows from Investing Activities:		
Investment Income	391,132	119,781
Purchases of Investments	(6,134,520)	(5,025,996)
Maturities and Redemptions of Investments	<u>6,134,520</u>	<u>9,002,510</u>
Net Cash Provided by Non-Capital Financing Activities	<u>391,132</u>	<u>4,096,295</u>
Net Increase in Cash and Cash Equivalents	531,521	4,883,732
Cash and Cash Equivalents (Including Restricted Accounts, January 1)	22,339,612	17,455,880
Cash and Cash Equivalents (Including Restricted Accounts), December 31	<u>\$ 22,871,133</u>	<u>\$ 22,339,612</u>

Continued on next page

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Statement of Cash Flows (continuation)
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	\$ (39,630,645)	\$ (36,606,280)
Adjustments to Reconcile Operating Loss to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	8,931,866	8,271,963
Changes in Assets, Deferred Outflows of Resources, and Liabilities:		
Other Receivables	(65,690)	(143,285)
Inventories	(104,641)	60,242
Prepaid Expenses	101,335	(82,295)
Accounts Payable and Accrued Liabilities	(2,624,881)	(68,733)
Compensated Absences	78,106	89,561
Net OPEB Obligation	1,290,534	(63,660)
Deferred Inflows of Resources	1,025,403	284,140
Deferred Outflows of Resources	(1,759,071)	1,139,197
Net Pension Liability	4,085,405	(937,172)
Net Cash Used for Operating Activities	<u>\$ (28,672,279)</u>	<u>\$ (28,056,322)</u>
Non-Cash Investing, Capital and Financing Activities:		
Premiums/Discounts on Investments	\$ -	\$ -
Fair Value of Investments	-	-
Change in Accounts Payable for Acquisitions of Capital Assets	-	853,061
(Gain) Loss on Sale of Assets	-	269,101
Change in:		
Interest Receivable	17,904	(34,246)
Sales and Use Tax Receivable	262,270	313,898
Receivable from Federal Government Capital	(1,419,483)	1,446,276
Receivable from Federal Government Operating	14,151	(188,779)
Distribution to Regional Entities Payable	9,575	(261,533)
Accrued Interest Payable	(1,710)	1,538

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Fiduciary Funds - Statement of Net Position

December 31, 2018 and 2017

	<u>2018</u>		<u>2017</u>
ASSETS			
Investments (Note 2)			
Money Market Funds	\$ 1,885,327	\$	1,815,350
Debt Mutual Funds	3,183,998		4,319,909
Equity Mutual Funds	38,439,752		40,203,215
TOTAL ASSETS	<u>43,509,077</u>		<u>46,338,474</u>
LIABILITIES			
	<u>-</u>		<u>-</u>
NET POSITION			
Restricted for Pension Benefits	\$ 43,509,077	\$	<u>46,338,474</u>

See Notes to Financial Statements

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Statement of Changes in Net Position
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Investment Income /(Loss)	\$ (2,662,976)	\$ 5,595,372
Employee Contributions	1,035,177	1,001,703
Employer Contributions	1,425,533	1,383,969
Total Additions	<u>(202,266)</u>	<u>7,981,044</u>
Deductions:		
Benefits Paid	2,499,825	2,563,499
Administrative Expenses	127,306	117,166
Total Deductions	<u>2,627,131</u>	<u>2,680,665</u>
Increase in Net Position	(2,829,397)	5,300,379
Net Position, January 1	<u>46,338,474</u>	<u>41,038,095</u>
Net Position, December 31	<u>\$ 43,509,077</u>	<u>\$ 46,338,474</u>

See Notes to Financial Statements





(1) Summary of Significant Accounting Policies

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.

The Corpus Christi Regional Transportation Authority (Authority) was established by referendum on August 10, 1985, as a political subdivision of the State of Texas, to develop, maintain and operate a public mass transportation system, principally within Nueces County, Texas and certain neighboring communities. The Authority commenced operations on January 1, 1986.

Under state law, the Authority is authorized to levy ½-cent sales and use tax for transit purposes, including both capital improvement and operating expenses. The Authority is not authorized to levy property taxes. The Authority may issue bonds backed by operating revenues. Subject to referendum, the Authority may also issue bonds backed by sales taxes. The Authority is not subject to federal income taxes.

Reporting Entity: “The Financial Reporting Entity,” as defined in Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards, is comprised of the primary government and its component units. The primary government includes all departments and operations of the Authority that are not legally separate organizations. Component units are legally separate organizations that are fiscally dependent on the Authority or for which the Authority is financially accountable. An organization is fiscally dependent if it must receive the Authority’s approval for its budget, the levying of taxes or the issuance of debt. The Authority is financially responsible for an organization if it appoints a majority of the organization’s board and either (a) has the ability to impose its will on the organization or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the Authority. The reporting entity of the Authority consists only of the primary government. There are no component units. The Authority is not included as part of another governmental reporting entity.

Measurement Focus, Basis of Accounting and Financial Statements: The accounts of the Authority are organized as a proprietary fund. Proprietary funds account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent is that costs of providing services to the general public on a continuing basis are financed or recovered through user charges. The Authority’s accounts are used for all Authority assets, liabilities, equities, revenues and expenses and are maintained on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned and expenses, including depreciation and amortization, of providing services to the public are accrued when incurred.



Operating revenues include charges for transportation services and related ancillary revenues. Operating expenses include costs of operating the Authority, including fixed route, purchased services, service planning, customer service, vehicle and facilities maintenance net of SSC leases, and administrative functions. All revenues and expenses that do not meet these definitions are classified as non-operating.

Non-operating revenues are non-exchange transactions, in which the Authority receives value without directly giving something of equal value in return, including sales taxes and grants. Sales tax is recognized when the taxable sales occur. Grants are recognized on a reimbursement basis when all grant requirements have been satisfied.

Budget: State law requires that an annual operating budget be adopted prior to the commencement of a fiscal year. Before the budget is adopted, the Authority's Board of Directors is required to conduct a public hearing and the proposed budget must be made available to the public at least 14 days prior to the hearing. The Authority may not incur operating expenses in excess of the total budgeted operating expenses unless the Board amends the budget by order after public notice and hearing. Monthly budget reports are prepared for budgetary control purposes.

Fiduciary Funds: Fiduciary funds are used to account for pension activities for which the Authority is financially accountable. Since these assets are being held for the benefit of other parties and cannot be used to finance the activities of the Authority, they are separately presented funds.

Cash and Cash Equivalents: The Authority considers all cash on hand, demand deposits and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Investments: The Authority's investments are stated at fair value, except for money market funds and investments with a remaining maturity of one year or less when purchased and non-participating interest earning investment contracts, which are carried at cost. Fair value fluctuates with interest rates and increasing rates may cause the fair value to decline below cost. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Net change in the fair value of investments is recognized and reported as investment income in the financial statements. The Authority's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*. The Authority's investment policy focuses on strategies that attain preservation of principal primarily and maximizing earnings secondarily. Policy considers all cash on hand, demand deposits, and short-term investments with original maturities of less than 90 days to be cash and cash equivalents.

Receivables: Receivables generally consist of amounts due from customers, grantor agencies, cost-sharing agreements, employees, warranties and similar activities.

Inventories and Prepaid Items: Parts inventories are stated at average cost. Fuel inventories are carried at cost using the first-in, first-out method. In accordance with



industry practice, all inventories are classified as current assets regardless of whether the inventory will be utilized within one year. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets: The Authority defines capital assets as items with initial cost of at least \$5,000 for all items and an estimated life of at least two years. Capital assets, which include property, facilities, and equipment, are stated at historical cost. Donated assets are reported at acquisition value rather than fair value. Leasehold improvements are amortized over the shorter of the lease term or lives of related improvements. All costs of normal maintenance and repairs are expensed to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Standard useful life estimates by asset types are as follows:

Asset Type	Years
Buildings	20-50
Transit Stations, Bus Stops, Street Pads & Other Improvements	2-15
Improvements other than buildings	2-5
Vehicles	3-12
Furniture & Equipment	2-12

Upon disposal, the costs of assets, including accumulated depreciation, are removed with the resulting gain or loss being reflected as a non-operating revenue/expense in the statement of revenues, expenses, and changes in net position. A portion of the proceeds from sale of property and equipment acquired with federal grants must be remitted to the granting federal agency under certain circumstances.

Compensated Absences: Employees of the Authority are compensated for personal, holiday, and health leave and other qualifying absences. The number of days compensated for these absences is based generally on length of service. It is the Authority's policy to permit employees to accumulate earned but unused personal leave. The amount of unused time that can be carried over to the next year is limited to 80 hours. Sick leave can be carried over indefinitely and up to 240 hours paid out if the employee retires from the Authority. Compensated absences are reflected in the financial statements when earned and available to the employee.

Deferred Inflows/Outflows: Deferred inflows represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report inflows in circumstances specifically authorized by the GASB. Deferred inflows related to pensions consist of the difference between expected and actual experience. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. Deferred outflows related to pensions consist of amounts paid into the retirement system after the prescribed measurement date, the net difference between projected and actual earnings



and the difference between actual and expected experience.

Pension Plans: It is the Authority's policy to fund pension costs annually. For purposes of measuring the net pension asset, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Defined Benefit and Defined Contributions Plan (Plans) and additions to/deductions from the Authority's plans fiduciary net position have been determined on the same basis as they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For more information on the Authority's pension plans, see Note 5 of the Notes and Financial Statements.

Estimates: Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Recent Accounting Pronouncements:

- GASB 74 – The Governmental Accounting Standards Board amended Statement No. 43 with Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans and the decision-usefulness of the financial reports of those OPEB plans.
- GASB 75 – The Governmental Accounting Standards Board amended Statement No. 45 with Statement No. 75. Statement No. 75 requires the determination of the OPEB expense for the fiscal year beginning January 1, 2018 and provides a new approach in calculating the pension expense which differs significantly from Statement No. 45 methodology. GASB 75 does away with Net OPEB Obligation and requires the full liability to be recognized immediately on the balance sheet. On the other hand, GASB 45 only recognized the liability within a footnote of the financial statements, with only a portion of the total liability going on the books through the Net OPEB Obligation.
- GASB 82 - *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by



employers to satisfy employee (plan member) contribution requirements.

- GASB 85 – The objective of this Statement as it relates to postemployment benefits, pensions and other postemployment benefits (OPEB), is to address the timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

Prior Period Restatements: Effective for the 2018 fiscal year, the Authority implemented GASB Statement No. 75, *Accounting for Post-Employment Benefits Other Than Pensions (OPEB)*. Accordingly, a restatement to beginning net position was required for the recording of beginning net OPEB liability.

Because audited beginning balances cannot be obtained for all the deferred inflows and outflows of resources related to OPEB, the Authority recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle. Beginning net position as of January 1, 2018 has been restated as follows for the implementation of GASB No. 75:

Beginning Net Position	\$ 95,174,911
Beginning Net OPEB Liability (12/31/2018 Measurement Date)	<u>(1,215,616)</u>
Beginning Net Position as Restated	<u>\$ 93,959,295</u>

Future Accounting Pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. In November 2016, GASB issued this statement to establish recognition and measurement guidance for assets not covered by existing GASB standards. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets shall recognize a liability based on the guidance of this statement. The effective date of this statement for the Authority is December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*. In January 2017, GASB issued this statement. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for account and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local government. The types of fiduciary funds that must be reported include:

- Pension (and other employee benefit) trust funds;
- Investment trust funds;
- Private-purpose trust funds; and
- Custodial funds.

The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement is effective for the Authority beginning with its year ending December 31, 2019.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority will implement GASB No. 87 in the year ending December 31, 2019.

GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. In April 2018, GASB issued this statement. It is designed to enhance deb-related disclosures in notes to financial statements and clarifies which liabilities governments should include in their note disclosures related to debt. Statement 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash or (other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Statement 88 requires governments to disclose additional essential debt-related information for all types of debt, including:

- Amounts of unused lines of credit;
- Assets pledged as collateral for debt; and
- Terms specified in debt agreements related to significant: (1) events of default with finance-related consequences, (b) termination events with finance-related consequences, and (c) subjective acceleration clauses.

The Statement is effective for the Authority beginning with its year ending December 31, 2019.

GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. In June, the GASB issued Statement No. 89.



Under current governmental accounting standards, a business-type activity or enterprise fund is required to capitalize interest costs incurred before the end of a construction period as part of the cost of the related capital asset. Under Statement No. 89, interest cost capitalization will no longer be required.

The objective is to simplify reporting and provide comparable information as interest cost does not align with the definition of an asset since it does not possess present service capacity.

In addition, interest cost should not be reported as a deferred outflow since it views interest costs as a current period cost. The Statement is effective for the Authority beginning with its year ending December 31, 2020.

GASB Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. In September 2018, GASB issued this statement. The primary objective of this statement is to improve consistency and comparability of reporting a government’s majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Specifically, the Statement states “a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. The Statement is effective for the Authority beginning with its year ending December 31, 2019.

The Authority is still evaluating how these pronouncements will affect the financial statements.

(2) Cash, Cash Equivalents, and Investments

As of December 31, 2018, the majority of the current assets totaling \$22,871,133 were held in bank deposits or in the TexPool local government investment pool (LGIP), while investments held in certificates of deposit totaled \$5,104,906.



<u>Type</u>	<u>2018</u>	<u>Weighted Average Maturity (Years)</u>	<u>2017</u>	<u>Weighted Average Maturity (Years)</u>
Investment measured at amortized cost:				
Certificates of Deposit	\$ 5,104,906	0.59	5,025,996	0.90
Total Investments	5,104,906		5,025,996	
Portfolio weighted average maturity		0.59		0.90
Cash and Cash Equivalents				
Deposits in Bank	6,183,079		11,419,753	
TexPool Local Government Investment Pool - Overnight	16,686,664		10,912,384	
Cash funds	1,390		1,150	
Money market funds	-		6,325	
Total Cash and Cash Equivalents	<u>22,871,133</u>		<u>22,339,612</u>	
Total Cash, Cash Equivalents, and Investments	<u>\$ 27,976,039</u>		<u>\$ 27,365,608</u>	

Fair Value Measurements – GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for determining a fair value measurement for financial reporting purposes. The Authority categorizes its investments measured at fair value within the hierarchy established by generally accepted accounting principles.

Investments valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quotes prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority’s own assumptions as there is little, if any, related market activity.

Because the investments are restricted by Board policy and state law to active secondary market, the *market approach* is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The *exit* or fair market prices used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.



As of December 31, 2018, and 2017, the securities to be priced in the portfolio were as follows:

**Fair Value Measurement Using Quoted
Prices in Active Markets for Identical
Assets (Level 1)**

December 31,

	2018		2017	
	Enterprise Fund	Fiduciary Fund	Enterprise Fund	Fiduciary Fund
US Treasury Obligations	\$ -	\$ -	\$ -	\$ -
US Gov't Agencies	-	-	-	-
Commercial Paper	-	-	-	-
Debt Mutual Funds	-	3,183,998	-	3,277,109
Equity Mutual Funds	-	38,439,752	-	41,246,015
Total	\$ -	\$ 41,623,750	\$ -	\$ 44,523,124



Interest Rate Risk: This is the risk that changes in the interest rates will negatively impact the fair value of the Authority's investments. As market interest rates rise, the fair value of an investment held decreases. By policy, the Authority's strategy for managing this risk is to limit the weighted average maturity for the portfolio to one year. The maximum maturity for any one investment is three years.

For the Enterprise Fund as of December 31, 2018,

- no holding in the portfolio had a maturity date beyond 312 days,
- holdings maturing beyond six months represented 10.9% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 39 days.

For the Enterprise Fund as of December 31, 2017,

- no holding in the portfolio had a maturity date beyond 312 days,
- holdings maturing beyond six months represented 18.44% of the total portfolio,
- the dollar weighted average maturity of the portfolio was 40 days.

Credit Risk - Investments: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. The primary stated objective of the Authority's adopted Investment Policy is the safety of principal and the avoidance of principal loss. Credit risk within the Authority's portfolio among the authorized investments in the Policy is represented in time and demand deposits, repurchase agreements, state and local government obligations, local government pools, banker's acceptances, commercial paper and non-rated SEC registered money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating organization (NRSRO).

Certificates of deposit are limited to a stated maturity of two years and FDIC insurance is required. Brokered certificates of deposit must be FDIC insured and delivered versus payment to the Authority's depository. Maximum maturity is two years with 102% collateralization required. FDIC insurance must be verified before purchase and monitored thereafter. All investments requiring a rating must be monitored on an ongoing basis.

Concentration of Credit Risk: This is the risk of investing predominantly in any one type of investment or entity. The Authority recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Authority's adopted investment policy establishes 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. As of December 31, 2018, and 2017 the limits on the various types of authorized investments as a percent of the portfolio were:



<u>Investment Type</u>	<u>Allowable</u>	<u>Actual as of 12/31/2018</u>	<u>Actual as of 12/31/2017</u>
US Treasury Obligation	80.00%	0.00%	0.00%
US Agencies/Instrumentalities	80.00%	0.00%	0.00%
State Government Obligations	35.00%	0.00%	0.00%
Local Government Obligations	35.00%	0.00%	0.00%
Certificates of Deposit (Depository)	50.00%	18.25%	18.37%
Brokered Certificates of Deposit	30.00%	0.00%	0.00%
Repurchase Agreements	50.00%	0.00%	0.00%
Flex in CIP Funds	100.00%	0.00%	0.00%
Local Government Investment Pools	80.00%	59.65%	39.88%
Money Market Funds / Demand Deposits	100.00%	22.10%	41.76%
Commercial Paper	25.00%	0.00%	0.00%
Bankers Acceptances	20.00%	0.00%	0.00%

Custodial Credit Risk – Deposits and Investments: For deposits, this is the risk that if a bank fails, the Authority may not recover its deposits. The Authority contractually requires that all demand deposits held in the bank overnight and repurchase agreements be fully insured or collateralized at 102% under a written agreement. Collateral is held in safekeeping by an independent third party. At December 31, 2018 and 2017 bank funds on deposit in excess of FDIC insurance were collateralized at more than 102%.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority may not recover the value of its investments or collateral securities that are in the possession on an outside party. The Authority requires that all securities must be cleared on a delivery versus payment (DVP) basis and Authority ownership documented by original clearing confirmations and safekeeping receipts. At December 31, 2018 and 2017, all Authority's securities were handled in this manner.

Fiduciary Funds: Funds in the Authority's Defined Benefit and Defined Contribution plans are invested through trust plans managed by Wells Fargo. These funds are invested under separate investment policies which allow for investments in money market accounts, mutual funds, stocks and bonds. Through adherence to the plans' investment policies, management attempts to limit or mitigate certain risks. The Authority is responsible for the Plans' assets.

Defined Benefit Plan: 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. 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.



Defined Contribution Plan: The overall objective is to enable eligible employees to save for retirement by providing a tax-deferred savings plan and offering enough funds from distinct asset classes to accommodate a broad range of individual investment goals. The Plan provides multiple investment alternatives, each with different risk and return characteristics, so that each participant can choose the potential return and risk levels as well as attain diversification among the alternatives. The Authority employs certain qualitative and quantitative measures to evaluate potential investment alternatives.

(3) Capital Assets

The Authority's capital assets represent investments in land, buildings, transit stations, infrastructure improvements, bus stops, street pads, bus turn-ins, motor coaches, trolleys, paratransit vehicles, sedans, vans, cars and trucks, garage equipment, facilities maintenance equipment, office equipment and information technology needed to conduct the Authority's operations.

Capital asset activities for the year ended December 31, 2018 are as follows:

	Balance at 12/31/2017	Additions / Transfers	Retirements	Balance at 12/31/2018
Assets Not Being Depreciated:				
Land	\$ 5,381,969	-	-	5,381,969
Construction in Progress	3,407,006	(2,740,179)	-	666,827
	<u>8,788,975</u>	<u>(2,740,179)</u>	<u>-</u>	<u>6,048,796</u>
Assets Being Depreciated				
Buildings	53,615,679	118,531	-	53,734,210
Transit Stations, Bus Stops, Street Pads & Other Improvements	23,407,608	184,843	-	23,592,450
Improvements other than Buildings	5,442,159	82,964	-	5,525,123
Vehicles, Furniture and Equipment	56,807,561	3,571,803	(10,217)	60,369,147
	<u>139,273,007</u>	<u>3,958,141</u>	<u>(10,217)</u>	<u>143,220,931</u>
Total Capital Assets	<u>148,061,982</u>	<u>1,217,962</u>	<u>(10,217)</u>	<u>149,269,727</u>
Less: Accumulated Depreciation:				
Buildings	12,919,217	1,315,694	-	14,234,911
Transit Stations, Bus Stops, Street Pads & Other Improvements	18,655,854	898,740	-	19,554,594
Improvements other than Buildings	2,925,398	388,638	-	3,314,036
Vehicles, Furniture and Equipment	27,477,033	6,328,794	(10,217)	33,795,610
	<u>61,977,502</u>	<u>8,931,866</u>	<u>(10,217)</u>	<u>70,899,151</u>
Total Accumulated Depreciation	<u>61,977,502</u>	<u>8,931,866</u>	<u>(10,217)</u>	<u>70,899,151</u>
Total Capital Assets, Net	<u>\$ 86,084,480</u>	<u>(7,713,904)</u>	<u>-</u>	<u>78,370,576</u>

Capital asset activities for the year ended December 31, 2017 are as follows:

	Balance at 12/31/2016	Additions / Transfers	Retirements	Balance at 12/31/2017
Assets Not Being Depreciated:				
Land	\$ 3,658,054	1,723,915	-	5,381,969
Construction in Progress	209,190	3,197,816	-	3,407,006
	<u>3,867,244</u>	<u>4,921,731</u>	<u>-</u>	<u>8,788,975</u>
Assets Being Depreciated				
Buildings	49,958,064	3,657,615	-	53,615,679
Transit Stations, Bus Stops, Street Pads & Other Improvements	25,799,089	184,418	(2,575,899)	23,407,608
Improvements other than Buildings	4,706,675	760,517	(25,033)	5,442,159
Vehicles, Furniture and Equipment	63,726,568	5,574,812	(12,493,819)	56,807,561
	<u>144,190,396</u>	<u>10,177,362</u>	<u>(15,094,751)</u>	<u>139,273,007</u>
Total Capital Assets	<u>148,057,640</u>	<u>15,099,093</u>	<u>(15,094,751)</u>	<u>148,061,982</u>
Less: Accumulated Depreciation:				
Buildings	11,676,311	1,242,906	-	12,919,217
Transit Stations, Bus Stops, Street Pads & Other Improvements	20,086,961	1,062,315	(2,493,422)	18,655,854
Improvements other than Buildings	2,599,679	350,752	(25,033)	2,925,398
Vehicles, Furniture and Equipment	34,132,119	5,615,990	(12,271,077)	27,477,033
Total Accumulated Depreciation	<u>68,495,070</u>	<u>8,271,963</u>	<u>(14,789,532)</u>	<u>61,977,502</u>
Total Capital Assets, Net	<u>\$ 79,562,570</u>	<u>6,827,130</u>	<u>(305,219)</u>	<u>86,084,480</u>



(4) Long – Term Liabilities

Changes in Long-Term Liabilities

2018	1/1/2018	Additions	Retirements	12/31/2018	Due Within One Year
Revenue Bonds	\$ 19,820,000	-	575,000	19,245,000	595,000
Net Pension Liability	2,383,237	335,013	2,089,337	628,913	-
Net OPEB Obligations	371,757	1,215,616	486,006	1,101,367	-
Compensated Absences	550,118	850,137	772,031	628,224	354,908
Total Long-Term Liabilities	\$ 23,125,112	2,400,766	3,922,374	23,125,112	929,908

2017	1/1/2017	Additions	Retirements	12/31/2017	Due Within One Year
Revenue Bonds	\$ 20,375,000	-	555,000	19,820,000	575,000
Net Pension Liability	3,320,409	1,261,111	2,198,283	2,383,237	-
Net OPEB Obligations	435,418	117,871	181,532	371,757	-
Compensated Absences	460,557	861,591	772,031	550,118	354,908
Total Long-Term Liabilities	\$ 24,591,385	2,240,573	3,706,846	23,125,112	929,908

Long-Term Debt:

On November 20, 2013, the Authority issued revenue bonds, Series 2013 (AMT) in the amount of \$11,525,000, with proceeds from the sale to be used for (1) renovation of the existing Staples Street bus transfer station; (2) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station; (3) construct a new parking lot to serve the Staples Street bus transfer station and the multi-use building, and (4) pay the costs of issuing the Tax-Exempt Bonds. The Authority also issued revenue bonds, Taxable Series 2013 in the amount of \$10,500,000 on November 20, 2013, with the proceeds from the sale to be used to (1) construct and equip a portion of a new multi-use building adjacent to the Staples Street bus transfer station and (2) pay the costs of issuing the Taxable Bonds. Both issues were capital related debt.

These bonds are first lien revenue bonds, and will be repaid from the pledged revenues of the Authority. Pledged revenues, as defined by the bond resolution include the net operating revenues, plus any additional revenues, income, receipts, or other revenues which are pledged by the Issuer.

Total interest cost for period ending December 31, 2017 was \$1,047,287 of which none was capitalized. Total interest cost for period ending December 31, 2016 was \$1,114,330 of which \$477,510 was capitalized.

As of December 31, 2018, all bond proceeds were expended.



Total debt service requirements as of December 31, 2018 are as follows:

\$11,525,000 Series 2013 (AMT Bonds)			
Years Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 320,000	\$ 492,623	\$ 812,623
2020	335,000	479,823	814,823
2021	345,000	469,773	814,773
2022	355,000	458,129	813,129
2023	370,000	445,260	815,260
2024-2028	2,135,000	1,938,502	4,073,502
2029-2033	2,705,000	1,365,258	4,070,258
2034-2038	3,490,000	582,920	4,072,920
	<u>\$ 10,055,000</u>	<u>\$ 6,232,288</u>	<u>\$ 16,287,288</u>

\$10,500,000 Series 2013, Taxable Bonds			
Years Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 275,000	\$ 517,147	\$ 792,147
2020	285,000	507,742	792,742
2021	295,000	496,570	791,570
2022	310,000	483,708	793,708
2023	320,000	469,386	789,386
2024-2028	1,885,000	2,078,828	3,963,828
2029-2033	2,490,000	1,468,734	3,958,734
2034-2038	3,330,000	633,180	3,963,180
	<u>\$ 9,190,000</u>	<u>\$ 6,655,295</u>	<u>\$ 15,845,295</u>

Combined Debt Service, All Bonds			
Years Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 595,000	\$ 1,009,770	\$ 1,604,770
2020	620,000	987,565	1,607,565
2021	640,000	966,343	1,606,343
2022	665,000	941,837	1,606,837
2023	690,000	914,646	1,604,646
2024-2028	4,020,000	4,017,330	8,037,330
2029-2033	5,195,000	2,833,992	8,028,992
2034-2038	6,820,000	1,216,100	8,036,100
	<u>\$ 19,245,000</u>	<u>\$ 12,887,583</u>	<u>\$ 32,132,583</u>

Compensated Absences:

Authority employees are allowed to carry a maximum of 80 hours of accrued but unused personal leave as of December 31 into the next year. Unused personal leave in excess of 80 hours is forfeited. Sick leave can be carried over indefinitely and up to 240 hours can be paid to an employee retiring from the RTA.



(5) **Retirement Plans**

Defined Benefit Plan

For the year ended December 31, 2018, the Authority’s Net Pension Liability was measured as of December 31, 2018, and the Total Pension Liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2017, the Authority’s Net Pension Liability was measured as of December 31, 2016, and the Total Pension Liability was determined by an actuarial valuation as of that date.

Plan Description: The *RTA Employees Defined Benefit Plan and Trust* (DB Plan) is a single-employer defined benefit pension plan administered by the Authority and established upon the applicable sections of the Internal Revenue Code. The Authority Board may periodically amend the DB 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, December 2012 and December 2014.

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

All full-time employees are included in the plan. 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 2014, 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, 2018, there were 583 participants in this plan as follows:

	December 31, 2018	December 31, 2017
Retirees or beneficiaries currently receiving benefits	172	166
Inactive employees entitled to but not yet receiving benefits	184	177
Active employees	227	240
Total Participants	583	583



Funding Policy: The Authority is the only source of contributions which are determined annually based on actuarial studies as of the valuation date. The contributions consist of a normal annual pension cost and amortization of any unfunded actuarial accrued liability (UAAL). The actuarially determined rate for contributions as a percent of covered payroll for 2018 and 2017 respectively, was 11.16% and 13.4%.

Actuarial Assumptions: The actuarial assumptions that determined the total net pension liability as of December 31, 2018 is as follows:

<i>Valuation Date</i>	<i>December 31, 2018</i>
<i>Actuarial Cost Method</i>	<i>Entry-Age Normal Cost</i>
<i>Amortization Method</i>	<i>Level dollar</i>
<i>Asset Valuation Method</i>	<i>Fair Market Value</i>
<i>Actuarial Assumptions:</i>	
<i>Investment rate of return</i>	<i>7.4%</i>
<i>Projected Salary Increase</i>	<i>3.5%</i>
<i>Mortality Rate</i>	<i>RP-2014 Blue Collar Generational Mortality Table adjusted to 2006 and projected using scale MP-2018</i>
<i>Normal Retirement</i>	<i>First of month after attaining age 62</i>

Prior Year Actuarial Assumptions: The actuarial assumptions that determined the total net pension liability as of December 31, 2017 is as follows:

<i>Valuation Date</i>	<i>December 31, 2016</i>
<i>Actuarial Cost Method</i>	<i>Entry-Age Normal Cost</i>
<i>Amortization Method</i>	<i>Level dollar amount over 15 years From January 1, 2009</i>
<i>Asset Valuation Method</i>	<i>Market Value</i>
<i>Actuarial Assumptions:</i>	
<i>Investment rate of return</i>	<i>7.5%</i>
<i>Projected Salary Increase</i>	<i>3.5%</i>
<i>Mortality Rate</i>	<i>1984 Unisex Mortality Table</i>
<i>Normal Retirement</i>	<i>First of month after attaining age 62</i>

Discount Rate: The discount rate used to determine the total pension liability was 7.4%. Pursuant to Paragraph 43 of GASB No. 67, an alternative analysis is 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. RTA’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 UAAL coming as a result of the plan amendment is recognized immediately.
4. A review of actual contributions over the past five years shows the RTA 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 7.4%.

Prior Year Discount Rate: The discount rate used to determine the total pension liability was 7.5% for December 31, 2017. Pursuant to Paragraph 43 of GASB No. 67, an alternative analysis is 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. RTA’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 the RTA 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%.

Discount Rate Sensitivity Analysis: The following presents the net pension liability, calculate using a discount rate of 7.4%, as well as what the net pension liability would be if were calculated using a discount rate that is one percentage point lower (6.4%) or one percentage point higher (8.4%) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
December 31, 2018			
Net pension liability	\$11,204,915	\$6,468,642	\$2,505,002



Prior Year Discount Rate Sensitivity Analysis: The following presents the net pension Liability, calculated using a discount rate of 7.5%, as well as what the net pension Liability would be if it were calculated using a discount rate that is one percentage point Lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
December 31, 2017	(6.5%)	(7.5%)	(8.5%)
Net pension liability	\$6,487,148	\$2,383,237	(\$1,072,544)

Net Pension Liability: The net change in pension liability for the measurement date of December 31, 2018 based on the actuarial date of December 31, 2018 is reflected below:

Change in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2016	\$ 34,966,314	\$ 32,583,077	\$ 2,383,237
Changes for the Year:			
Service Cost	2,047,189	-	2,047,189
Interest on total pension liability	5,400,873	-	5,400,873
Benefit Changes	313,503	-	313,503
Difference between expected and actual experience	93,775	-	93,775
Changes of assumptions	1,189,575	-	1,189,575
Benefit payments	(3,642,408)	(3,642,408)	-
Contributions - employer	-	2,809,502	(2,809,502)
Net investment income	-	2,362,836	(2,362,836)
Administrative expenses	-	(212,828)	212,828
Balances as of December 2018	<u>\$ 40,368,821</u>	<u>\$ 33,900,179</u>	<u>\$ 6,468,642</u>



The net change in pension liability for the measurement date of December 31, 2017 based on the actuarial date of December 31, 2016 is reflected below:

Change in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2015	\$ 33,530,870	\$ 30,210,461	\$ 3,320,409
Changes for the Year:			
Service Cost	941,470	-	941,470
Interest on total pension liability	2,521,413	-	2,521,413
Benefit changes	-	-	-
Difference between expected and actual experience	(465,534)	-	(465,534)
Changes of assumptions	-	-	-
Benefit payments	(1,561,905)	(1,561,905)	-
Contributions - employer	-	1,503,736	(1,503,736)
Net investment income	-	2,523,595	(2,523,595)
Administrative expenses	-	(92,810)	92,810
Balances as of December 31, 2016	<u>\$ 34,966,314</u>	<u>\$ 32,583,077</u>	<u>\$ 2,383,237</u>

For the year ended December 31, 2018, the Authority recognized pension expenses:

Service cost	\$ 1,066,449
Interest on total pension liability	2,780,193
Effect of plan change (Changes of benefit terms)	313,503
Experience losses	(218,260)
Administrative	110,600
Changes of assumptions	594,788
Current expense of asset loss	1,223,696
Expected investment returns net of investment expenses (7.5% per Plan)	(2,714,501)
Pension Expense	<u>\$ 3,156,468</u>

For the year ended December 31, 2017, the Authority recognized pension expenses:

Service cost	\$ 941,470
Interest on total pension liability	2,521,413
Effect of plan change (Changes of benefit terms)	--
Administrative	92,810
Expected investment returns net of investment expenses (7.5% per Plan)	(2,368,936)
Recognition of deferred inflows/outflows of resources:	
Recognition of difference in investment gains or losses	668,699
Recognition of difference in change in experience	14,678
Pension Expense	<u>\$ 1,870,134</u>



For the year ended December 31, 2018, the Authority recorded deferred outflows of resources related to the pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience losses	\$ 167,507	\$ 237,001
Net difference between projected and actual earnings on pension plan investments	4,408,383	1,267,576
Changes of assumptions	594,787	-
Deferred Outflows and Inflows of Resources	\$ 5,170,677	\$ 1,504,577

Amounts currently reported as deferred outflows of resources related to pensions, including contributions made subsequent to the measurement date, will be recognized in pension expenses as follows:

Year ended 12/31	
2019	\$ 1,521,635
2020	607,818
2021	573,560
2022	963,087
Total	\$ 3,666,100

For the year ended December 31, 2017, the Authority recorded deferred outflows of resources related to the pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 196,073	\$ 479,174
Net difference between projected and actual earnings on pension plan investments	1,831,564	-
Contributions made subsequent to measurement date	1,383,969	-
Deferred Outflows and Inflows of Resources	\$ 3,411,606	\$ 479,174



Financial Statements: The DB Plan issues a separate stand-alone financial report which can be viewed on the CCRTA website at www.ccrta.org/financial-transparency.

Following are the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for the years ended December 31, 2018 and 2017.

Statement of Fiduciary Net Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Money Market Funds	\$ 1,040,587	\$ 1,106,130
Mutual Funds - Debt	2,701,425	3,869,138
Mutual Funds - Equity	<u>30,158,167</u>	<u>31,465,056</u>
TOTAL ASSETS	<u>33,900,179</u>	<u>36,440,324</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET POSITION		
Restricted for Pension Benefits	\$ <u>33,900,179</u>	\$ <u>36,440,324</u>

Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Additions:		
Investment Income	\$ (2,046,180)	\$ 4,409,015
Employer Contributions	<u>1,425,533</u>	<u>1,383,969</u>
Total Additions	<u>(620,647)</u>	<u>5,792,984</u>
Deductions:		
Benefits Paid	1,808,898	1,833,509
Administrative Expenses	<u>110,600</u>	<u>102,228</u>
Total Deductions	<u>1,919,498</u>	<u>1,935,737</u>
Increase/(Decrease) in Net Position	(2,540,145)	3,857,247
Net Position, January 1	<u>36,440,324</u>	<u>32,583,077</u>
Net Position, December 31	\$ <u>33,900,179</u>	\$ <u>36,440,324</u>



Defined Contribution Plan

Plan Description: The *RTA Employees' Defined Contribution Plan* (DC Plan) covers all employees. This defined contribution plan has a plan document in compliance with the Internal Revenue Code and adopted by the Board, who may amend it. Benefits depend on amounts contributed to the plan plus investment earnings. Employees are fully vested in their contributions. Employees direct their investments.

Funding Policy: Employees are required to contribute 7.51% of gross remuneration and may make additional contributions of up to 10%.

The Authority may make contributions, but has made none to date. Total covered payrolls were \$10,677,430 in 2018 and \$9,773,977 in 2017. Employee contributions were \$1,035,177 in 2018 and \$1,001,703 in 2017. Employees may make selections from money market, debt and equity mutual funds approved by the investment committee.

Financial Statements: The DC Plan does not issue a separate stand-alone financial report. Financial statements for the years ended 2018 and 2017 are as follows:

**Statement of Fiduciary Net Position
 December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Money Market Funds	\$ 844,740	\$ 709,220
Mutual Funds - Debt	482,573	450,771
Mutual Funds - Equity	8,281,585	8,738,159
TOTAL ASSETS	<u>9,608,898</u>	<u>9,898,150</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET ASSETS		
Held in Trust for Pension Benefits	\$ <u>9,608,898</u>	\$ <u>9,898,150</u>



Statement of Changes in Fiduciary Net Position
Years Ended December 31, 2018 and 2017

	<u>2017</u>		<u>2017</u>
Additions:			
Investment Income/(Loss)	\$ (616,796)	\$	1,186,357
Rollover Contributions	-		-
Employee Contributions	<u>1,035,177</u>		<u>1,001,703</u>
Total Additions	<u>418,381</u>		<u>2,188,060</u>
Deductions:			
Benefits Paid	690,927		729,990
Administrative Expenses	<u>16,706</u>		<u>14,938</u>
Total Deductions	<u>707,633</u>		<u>744,928</u>
Increase/(Decrease) in Net Position	(289,252)		1,443,132
Net Position, January 1	<u>9,898,150</u>		<u>8,455,018</u>
Net Position, December 31	<u>\$ 9,608,898</u>	\$	<u>9,898,150</u>



(6) **Postemployment Benefits Other Than Pensions (OPEB)**

General Information about the OPEB Plan

Plan Description: The Authority administers a single-employer defined benefit healthcare plan that allows access to medical benefits by eligible retirees and their families until the retiree reaches age 65. The Authority Board establishes benefit provisions. The Authority indirectly subsidizes the medical insurance premiums paid by retirees, since premiums are calculated with active workers and retirees pooled together. The plan is not accounted for as a fiduciary fund as an irrevocable trust has not been established to fund the plan but rather is funded on a pay-as-you-go basis. The plan does not issue a financial report.

Funding Policy: The Authority requires retirees to pay a portion of the monthly “blended” rates that apply to the group as a whole. Since retiree health care costs are generally higher than active employee healthcare costs, there is an implicit subsidy higher than the stated subsidy of the Authority. For 2018, \$763.63 was the required monthly contribution for retiree family coverage and \$293.55 for retiree single coverage. The Authority’s contributions are on a pay-as-you-go basis. Retirees must pay the full COBRA rate for dental coverage, so it is not valued in this report.

Benefits Provided: The Authority provides medical, dental, and vision benefits for participating retirees and their dependents. The benefits terms require non-Medicare-eligible retirees pay the monthly “blended” rate in according with the *Funding Policy*.

Employees Covered by Benefit Terms: At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>213</u>
	<u>225</u>



Total OPEB Liability

The Authority’s total OPEB liability of \$1,101,367 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Plan participation	33% of future eligible retirees are assumed to elect the life benefit at retirement.
Marital status	Actual spouse participation and dates of birth were used for retirees. For actives, it was assumed that 30% will cover a spouse, and males were assumed to be 2 years older than female spouses.
Salary increases	3.50% per annum
Discount rate	3.64% S&P Municipal Bond
Healthcare cost trend rates	<i>Medical:</i> 7.5% graded uniformly to 6.5% over 3 years and following the Getzen model thereafter to an ultimate rate of 3.94% in the year 2075 <i>Vision:</i> 5.0% per annum <i>Administrative expenses:</i> 2.5% per annum
Retirees’ share of benefit-related costs	<i>Single Coverage:</i> \$293.55 <i>Family Coverage:</i> \$763.63

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018, compared to the prior Statement No. 45 discount rate of 4.00%

The Mortality Table was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2015 to table RP-2014 adjusted to 2006 and projected using scale MP-2018.

The assumptions, methods, and procedures under Statement No.75 are based on the January 1, 2019 actuarial valuation with measurement dates of December 31, 2018 and December 31, 2019, and reporting dates of December 31, 2018 and December 31, 2019. All actuarial assumptions are set by the Authority, who is the plan sponsor. Statement No. 75 mandates the use of the Entry Age Normal actuarial funding method for the purposes of the reporting statements.



Although the deviation of the actual future plan experience and the expected experience inherently creates some uncertainty with results reported by the actuarial valuation report, the actuarial assumptions reasonably reflect the expected future experience of the plan.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2017	<u>\$1,215,616</u>
Changes for the year:	
Service cost	36,236
Interest	38,682
Benefit payments	<u>(189,167)</u>
Net changes	<u>(114,249)</u>
Balance at 12/31/2018	<u><u>\$1,101,367</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64%) or 1-percentage point higher (4.64%) than the current discount rate:

	1% Decrease (2.64%)	Discount Rate (3.64%)	1% Increase (4.64%)
Total OPEB Liability	\$1,149,889	\$1,101,367	\$1,056,425

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current discount rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Total OPEB Liability	\$1,056,586	\$1,101,367	\$1,149,504



OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$74,918. At December 31, 2018, the employer reported deferred inflows of resources and deferred inflows of resources in relation to OPEBs from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Changes of assumptions or other inputs	0	0
Total	<u>\$0</u>	<u>\$0</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2019	\$0
2020	0
2021	0
2022	0
2023	0
Thereafter	0

(7) Risk Management and Insurance

The Authority is exposed to various risks of loss related to third party liability claims; theft of, damage to, and destruction of assets; errors and omissions and injuries to employees. The Authority has an inter-local agreement with the Texas Municipal League for the purpose of providing all-risk property coverage with various limits on property and equipment of the Authority.

As a governmental unit, the Authority’s general and automobile liability is limited by the Texas Tort Claims Act to \$100,000 for each person and \$300,000 for each occurrence for bodily injury or death and \$100,000 for each occurrence for injury to or destruction of property.

The Authority operated a self-insurance program for workers’ compensation claims until 2004, at which point the Authority became fully insured through the Texas Municipal League. There are no outstanding claims from self-insurance.

The Authority is self-funded for employee dental and healthcare benefits, which



include medical, drug and vision. These benefits are provided through a contract with a third-party administrator, Entrust, Inc. The coverage in force during 2016 includes specific deductibles for up to \$65,000 per individual claim and an annual aggregate estimated at \$1,600,000. Claims are normally paid within ninety days and considered current liabilities.

Claims or settlements have not exceeded coverage for each of the last three years.

Changes in liabilities for self-funded health insurance liabilities for the years ended December 31, 2016, 2017, and 2018 are as follows:

		Health and Dental Benefits
Balance at 12/31/15	\$	292,683
Incurred Claims		2,229,577
Claims Paid		<u>(2,160,534)</u>
Balance at 12/31/16		361,726
Incurred Claims		3,494,451
Claims Paid		<u>(3,469,313)</u>
Balance at 12/31/17		386,864
Incurred Claims		2,611,495
Claims Paid		<u>(2,637,513)</u>
Balance at 12/31/18	\$	<u><u>360,846</u></u>

(8) Commitments and Contingencies

Expenditures financed by Federal grants are subject to audit by the granting agencies. In the event of any such audits, management is of the opinion that no significant liability will arise.

The Authority has commitments totaling \$1,070,000 in ADA Bus Stop improvements.

(9) Concentrations

During 2018, the Authority received \$1,184,926 for capital assistance and \$58,410 for other projects from the Federal Transportation Administration.

During 2017, the Authority received \$12,404,116 for capital assistance and \$4,618,731 for other projects from the Federal Transportation Administration.



Changes in the Authority's relationship with the FTA could ultimately affect the operating results of the Authority. The Single Audit Section provides further details on FTA and another federal grant funding received.

(10) Purchased Transportation Services

The Authority had a contract with MV Transportation, Inc. through 2018 to provide paratransit services for elderly and persons with disability and certain fixed route services. Expenses under the contract amounted to \$6,100,832 in 2018 and \$5,079,070 in 2017. All passenger fares related to these transit services are recorded by the Authority as operating revenue.

(11) Property Leased to Others

The Authority leases office space under operating leases expiring through Fiscal Year 2026.

The minimum future rental payments to be collected from tenants under signed lease agreements at the Staples Street Center are as follows:

<u>Year ended 12/31</u>	
2019	\$ 493,014
2020	517,087
2021	436,104
2022	448,320
2023	475,339
Thereafter	<u>811,607</u>
Total	\$ <u><u>3,181,471</u></u>

(12) Subsequent Events

The date to which events occurring after December 31, 2018, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is July 30, 2019 which is the date on which the financial statements were available to be issued. On July 10, 2018, the Board of Directors approved a \$2.5M additional contribution to the Defined Benefit Pension Plan in 2019 in order to decrease the Net Pension Liability for future years.





REQUIRED SUPPLEMENTARY INFORMATION



SCHEDULE OF PENSION PLAN:

	Measurement Year				
	2014	2015	2016	2017	2018
<u>TOTAL PENSION LIABILITY</u>					
Service Cost	\$ 695,517	\$ 876,806	\$ 941,470	\$ 980,740	\$ 1,066,449
Interest on Total Pension Liability	2,254,995	2,396,547	2,521,413	2,620,680	2,780,193
Effect of Plan Changes	391,915	115,478	-	-	313,503
Difference between expected and actual experience	784,295	(260,046)	(465,534)	335,013	(241,238)
Changes of assumptions	-	-	-	-	1,189,575
Benefit Payments	(1,248,266)	(1,493,324)	(1,561,905)	(1,833,510)	(1,808,898)
Net Change in Total Pension Liability	2,878,456	1,635,461	1,435,444	2,102,923	3,299,584
Total Pension Liability, Beginning	29,016,953	31,895,409	33,530,870	34,966,314	37,069,237
Total Pension Liability, Ending	\$ <u>31,895,409</u>	\$ <u>33,530,870</u>	\$ <u>34,966,314</u>	\$ <u>37,069,237</u>	\$ <u>40,368,821</u>
<u>FIDUCIARY NET POSITION</u>					
Employer Contributions	\$ 1,178,498	\$ 985,175	\$ 1,503,736	\$ 1,383,969	\$ 1,425,533
Employee Contributions	-	-	-	-	-
Investment Income Net of Investment Expenses	1,706,547	(348,950)	2,523,595	4,409,016	(2,046,180)
Benefit Payments/Contributions Refunds	(1,248,266)	(1,493,324)	(1,561,905)	(1,833,510)	(1,808,898)
Administrative Expenses	(91,465)	(94,874)	(92,810)	(102,228)	(110,600)
Net Change in Fiduciary Net Position	\$ 1,545,314	\$ (951,973)	\$ 2,372,616	\$ 3,857,247	\$ (2,540,145)
Fiduciary Net Position, Beginning	29,617,120	31,162,434	30,210,461	32,583,077	36,440,324
Fiduciary Net Position, Ending	\$ <u>31,162,434</u>	\$ <u>30,210,461</u>	\$ <u>32,583,077</u>	\$ <u>36,440,324</u>	\$ <u>33,900,179</u>
<i>Net Pension Liability</i>	\$ <u>732,975</u>	\$ <u>3,320,409</u>	\$ <u>2,383,237</u>	\$ <u>628,913</u>	\$ <u>6,468,642</u>
<i>Fiduciary Net Position as a Percentage of Total Pension Liability</i>					
<i>Annual Covered Payroll</i>	\$ 7,274,172	\$ 8,818,232	\$ 9,178,411	\$ 9,773,977	\$ 10,677,430
<i>Net Pension Liability as a Percentage of Covered Payroll</i>	10.1%	37.7%	26.0%	6.4%	60.6%

*This schedule is required to present information for ten years, however, prior years information is not available. Therefore, we have shown only the year in which GASB Statement 68, as amended by GASB Statement 71, was implemented, as well as the subsequent years.

**DEFINED BENEFITS PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarially determined contribution	\$ 1,355,811	1,168,423	886,742	1,125,651
Contributions in relation to the actuarially determined contribution	<u>1,355,811</u>	<u>1,168,423</u>	<u>1,064,288</u>	<u>1,125,651</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>(177,546)</u>	<u>-</u>
Covered-employee payroll	\$ 6,634,041	7,246,596	7,073,120	7,221,526
Contributions as a percentage of covered-employee payroll	9.0%	16.1%	15.0%	15.6%

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 amount over 15 years from January 1, 2009

Remaining Amortization Period 9 Years

Asset Valuation Method - Market Value

Inflation Rate -- NA

Salary Increases - 3.50% Annually

Investment Rate of Return - 7.50% Annually

Retirement Age - All participants were assumed to retire at age 62

Mortality Rates - RP 2000 Mortality Table

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
988,534	695,517	983,696	1,468,804	1,399,307	1,191,087
<u>1,280,330</u>	<u>1,178,498</u>	<u>985,175</u>	<u>1,503,736</u>	<u>1,383,969</u>	<u>1,425,533</u>
<u>(291,796)</u>	<u>(482,981)</u>	<u>(1,479)</u>	<u>(34,932)</u>	<u>15,338</u>	<u>(234,446)</u>
7,474,445	7,274,172	8,818,232	9,178,411	9,773,977	10,677,430
17.1%	16.2%	11.2%	16.4%	14.2%	13.4%

SCHEDULE OF CHANGES IN THE AUTHORITY'S NET OPEB LIABILITY AND RELATED RATIOS:

	Measurement Year
	<u>2018</u>
<u>TOTAL OPEB LIABILITY</u>	
Service Cost	\$ 36,236
Interest	38,682
Effect of Plan Changes	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit Payments	<u>(189,167)</u>
Net Change in Total OPEB Liability	(114,249)
Total OPEB Liability, Beginning	1,215,616
Total OPEB Liability, Ending (a)	<u>\$ 1,101,367</u>
<u>PLAN FIDUCIARY NET POSITION</u>	
Employer Contributions	\$ 189,167
Employee Contributions	-
Investment Income Net of Investment Expenses	-
Benefit Payments/Contributions Refunds	(189,167)
Administrative Expenses	<u>-</u>
Net Change in Plan Fiduciary Net Position	\$ -
Plan Fiduciary Net Position, Beginning	<u>-</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ -</u>
<i>Net OPEB liability, ending (a) - (b)</i>	<u>\$ 1,101,367</u>
<i>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</i>	0.0%
<i>Annual Covered Payroll</i>	\$ 12,134,143
<i>Net OPEB Liability as a Percentage of Covered Payroll</i>	9.1%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until full 10-year trend is compiled, governments should present information for those years for which information is available.

SCHEDULE OF AUTHORITY CONTRIBUTIONS:

	Measurement Year
	<u>2018</u>
Actuarially determined contribution	\$ 189,167
Contributions in relation to the actuarially determined contribution	189,167
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 12,134,143
Contributions as a percentage of covered-employee payroll	1.56%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 2 years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.
Amortization period	8.5 years
Asset valuation method	Not applicable
Inflation	3.00%
Healthcare cost trend rates	Medical: 7.5% graded uniformly to 6.5% over 3 years and following and following the Getzen model thereafter to an ultimate rate of 3.94% in the year 2075. Vision: 5.0% per annum Administrative: 2.5% per annum
Salary increases	3.5% per annum
Investment rate of return	Not applicable
Retirement age	Age 62 or age 55 and have ten years of service with the CCRTA, and be an active employee of CCRTA at the time of retirement.
Mortality	RP-2014 Total Dataset Mortality Table, adjusted to base year 2006, projected with Scale MP-2018



SUPPLEMENTAL SCHEDULES



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Schedule of Revenues and Expenses - Actual and Budget by Function
Year Ended December 31, 2018

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Final Budget</u> <u>Versus Actual</u>
Operating Revenues:				
Passenger Service	\$ 1,750,235	1,750,235	1,688,643	(61,592)
Bus Advertising	164,561	164,561	142,555	(22,006)
Other Operating Revenues	522,553	522,553	614,707	92,154
<i>Total Operating Revenues</i>	<u>2,437,349</u>	<u>2,437,349</u>	<u>2,445,905</u>	<u>8,556</u>
Operating Expenses:				
Transportation	6,925,851	6,925,851	6,878,056	47,795
Customer Programs	403,184	403,184	346,575	56,609
Purchased Transportation	5,754,039	5,754,039	6,498,084	(744,045)
Program & Service Development	417,049	417,049	434,051	(17,002)
MIS	858,577	858,577	811,572	47,005
Vehicle Maintenance	4,923,651	4,923,651	4,488,150	435,501
Facilities Maintenance (net of lease revenue)	1,759,701	1,759,701	2,010,370	(250,669)
Materials Management	176,496	176,496	153,113	23,383
Administrative and General	7,989,214	7,989,214	11,152,107	(3,162,893)
Marketing & Communications	561,857	561,857	372,606	189,251
Depreciation	4,398,419	4,398,419	8,931,866	(4,533,447)
<i>Total Operating Expenses</i>	<u>34,168,038</u>	<u>34,168,038</u>	<u>42,076,550</u>	<u>(7,908,512)</u>
Operating Loss	(31,730,689)	(31,730,689)	(39,630,645)	(7,899,956)
Non-Operating Revenues (Expenses):				
Sales and Use Tax Revenue	32,205,606	32,205,606	33,934,640	1,729,034
Federal and Another Grant Assistance	4,952,699	4,952,699	58,410	(4,894,289)
Investment Income	78,960	78,960	409,036	330,076
Gain (Loss) on Property Dispositions	7,575	7,575	-	(7,575)
Subrecipient Programs	(271,945)	(271,945)	(46,299)	225,646
Interest Expense and Fiscal Charges	(1,605,708)	(1,605,708)	(1,028,997)	576,711
Staples Street Center (net)	(346,899)	(346,899)	-	346,899
Port Ayers Cost Center (net)	(50,000)	(50,000)	-	50,000
Distributions to Regional Entities	(2,828,222)	(2,828,222)	(2,807,222)	21,000
Net Income/(Loss) Before				
Capital Grant Contributions	\$ 411,377	411,377	(9,111,077)	(9,522,454)

Note: The budget amounts have been reclassified to agree with the actual reported amounts. The main changes are the Staples Street Center net of related lease income is included in facilities maintenance.

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds – Combining Statements of Net Position
December 31, 2018, With Comparative Totals for December 31, 2017

	2018			2017
	Defined Benefit Pension Plan	Defined Contribution Pension Plan	Total	
ASSETS				
Investments (Note 2)				
Money Market Funds	\$ 1,040,587	844,740	1,885,327	\$ 1,815,350
Debt Mutual Funds	2,701,425	482,573	3,183,998	4,319,909
Equity Mutual Funds	30,158,167	8,281,585	38,439,752	40,203,215
TOTAL ASSETS	33,900,179	9,608,898	43,509,077	46,338,474
LIABILITIES				
	-	-	-	-
NET POSITION				
Restricted for Pension Benefits	\$ 33,900,179	9,608,898	43,509,077	\$ 46,338,474

See Notes to Financial Statements



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Fiduciary Funds - Combining Statement of Changes in Net Position
Year Ended December 31, 2018 With Comparative Totals for December 31, 2017

	2018			2017
	Defined Benefit Pension Plan	Defined Contribution Pension Plan	Total	
Additions:				
Investment Income (Loss)	\$ (2,046,180)	(616,796)	(2,662,976)	5,595,372
Employee Contributions	-	1,035,177	1,035,177	1,001,703
Employer Contributions	1,425,533	-	1,425,533	1,383,969
Total Additions	(620,647)	418,381	(202,266)	7,981,044
Deductions:				
Benefits Paid	1,808,898	690,927	2,499,825	2,563,499
Administrative Expenses	110,600	16,706	127,306	117,166
Total Deductions	1,919,498	707,633	2,627,131	2,680,665
Increase (Decrease) in Net Assets	(2,540,145)	(289,252)	(2,829,397)	5,300,379
Net Assets, January 1	36,440,324	9,898,150	46,338,474	41,038,095
Net Assets, December 31	\$ 33,900,179	9,608,898	43,509,077	46,338,474



CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Schedule of Long-Term Debt Amortization
Year Ended December 31, 2018

\$11,525,000 Series 2013 (AMT Bonds)			
Years Ending December 31,	Principal	Interest	Total Requirements
2019	320,000	492,623	812,623
2020	335,000	479,823	814,823
2021	345,000	469,773	814,773
2022	355,000	458,129	813,129
2023	370,000	445,260	815,260
2024-2028	2,135,000	1,938,502	4,073,502
2029-2033	2,705,000	1,365,258	4,070,258
2034-2038	3,490,000	582,920	4,072,920
	<u>\$ 10,055,000</u>	<u>\$ 6,232,288</u>	<u>\$ 16,287,288</u>

\$10,500,000 Series 2013, Taxable Bonds			
Years Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 275,000	\$ 517,147	\$ 792,147
2020	285,000	507,742	792,742
2021	295,000	496,570	791,570
2022	310,000	483,708	793,708
2023	320,000	469,386	789,386
2024-2028	1,885,000	2,078,828	3,963,828
2029-2033	2,490,000	1,468,734	3,958,734
2034-2038	3,330,000	633,180	3,963,180
	<u>\$ 9,190,000</u>	<u>\$ 6,655,295</u>	<u>\$ 15,845,295</u>

Combined Debt Service, All Bonds			
Years Ending December 31,	Principal	Interest	Total Requirements
2019	\$ 595,000	\$ 1,009,770	\$ 1,604,770
2020	620,000	987,565	1,607,565
2021	640,000	966,343	1,606,343
2022	665,000	941,837	1,606,837
2023	690,000	914,646	1,604,646
2024-2028	4,020,000	4,017,330	8,037,330
2029-2033	5,195,000	2,833,992	8,028,992
2034-2038	6,820,000	1,216,100	8,036,100
	<u>\$ 19,245,000</u>	<u>\$ 12,887,583</u>	<u>\$ 32,132,583</u>



2018

Statistical Section

Comprehensive Annual Financial Report





ABOUT THE AUTHORITY’S STATISTICAL TABLES

This section of the Authority’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial situation.

<u>Contents</u>	<u>Page</u>
Financial Trends	76
<i>These schedules contain trend information to help the reader understand how the Authority’s financial performance has changed over time.</i>	
Revenue Capacity	80
<i>These schedules contain information to help the reader assess the Authority’s most significant revenue source, sales and use tax.</i>	
Debt Capacity	85
<i>These schedules present information to help the reader assess the affordability of the Authority’s current level of outstanding debt.</i>	
Demographic & Economic Data	86
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place.</i>	
Operating Information	90
<i>These schedules contain service data to help the reader understand how the information in the Authority’s financial report relates to the services that the Authority provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Net Position

Last Ten Fiscal Years

(Unaudited)

		2009	2010	2011	2012
Net Investment in Capital Assets	\$	37,044,364	35,551,031	35,534,213	43,439,575
Restricted		-	-		-
Unrestricted		22,398,741	23,900,805	28,172,623	29,843,986
Total	\$	59,443,105	59,451,836	63,706,836	73,283,561



2013	2014	2015	2016	2017	2018
48,003,491	49,217,398	66,725,519	59,298,433	66,264,480	59,125,576
1,611,302	1,611,302	1,611,302	1,611,302	1,611,302	1,611,302
27,852,253	32,585,594	23,480,692	25,611,884	27,299,129	25,296,266
77,467,046	83,414,294	91,817,513	86,521,619	95,174,911	86,033,144

Table 2

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Changes in Net Position
Last Ten Years
(Unaudited)

	2009	2010	2011	2012
Operating Revenues:				
Passenger Service	\$ 1,577,232	1,537,772	1,660,782	1,706,528
Other Operating	81,443	88,525	152,881	144,710
Total Operating Revenues	1,658,675	1,626,297	1,813,663	1,851,238
Operating Expenses:				
Transportation	10,743,234	10,619,566	11,764,029	12,718,200
Vehicle/Facilities Maintenance (net of SSC leases)	5,137,764	5,886,849	6,519,067	6,523,062
Program Development	702,690	701,064	1,073,506	1,075,444
Administrative and General	4,711,623	4,983,114	4,444,485	4,923,154
Depreciation	4,514,063	5,203,248	5,878,720	5,523,334
Total Operating Expenses	25,809,374	27,393,841	29,679,807	30,763,194
Operating Loss	(24,150,699)	(25,767,544)	(27,866,144)	(28,911,956)
Non-Operating Revenues (Expenses):				
Sales and Use Tax	20,821,573	22,891,712	26,235,525	31,571,834
Grant Assistance	805,664	995,526	2,527,017	3,226,061
Investment Income	81,807	100,071	27,860	51,173
Other Non-Operating Items	(433,539)	8,012	1,733	1,086
Distributions to Region Entities	(1,458,952)	(1,325,648)	(1,918,020)	(2,154,150)
Net Loss before Capital Grants	(4,334,146)	(3,097,871)	(992,029)	3,784,048
Capital Grants and Donations	10,281,571	3,106,602	5,247,029	5,792,677
Change in Accounting Principle	-	-	-	-
Total Change in Net Assets	\$ 5,947,425	8,731	4,255,000	9,576,725

2013	2014	2015	2016	2017	2018
1,750,624	1,844,604	1,853,246	1,735,001	1,696,742	1,688,643
124,796	335,192	430,401	665,443	805,680	757,262
1,875,420	2,179,796	2,283,647	2,400,444	2,502,422	2,445,905
13,146,112	12,430,929	12,848,302	12,425,999	12,679,008	13,376,140
6,302,512	7,545,219	7,320,683	6,752,337	7,062,134	6,651,633
764,359	893,233	1,146,698	1,604,721	1,347,294	1,153,232
4,627,406	6,683,788	7,797,745	9,455,657	9,748,303	11,963,679
5,772,221	5,273,812	6,592,946	7,541,912	8,271,963	8,931,866
30,612,610	32,826,981	35,706,374	37,780,626	39,108,702	42,076,550
(28,737,190)	(30,647,185)	(33,422,727)	(35,380,181)	(36,606,280)	(39,630,645)
32,064,316	35,188,390	34,127,803	31,387,198	32,570,355	33,934,640
1,416,988	125,900	2,512,070	1,185,650	4,618,731	58,410
62,160	110,052	125,143	69,049	85,535	409,036
(619,579)	(422,184)	(488,015)	(677,173)	(1,415,867)	(1,075,296)
(2,593,634)	(2,900,327)	(3,301,592)	(3,170,013)	(3,003,298)	(2,807,222)
1,593,061	1,454,646	(447,318)	(6,585,471)	(3,750,824)	(9,111,077)
2,590,424	4,492,602	9,763,523	1,289,577	12,404,116	1,184,926
-	-	870,603	-	-	(1,215,616)
4,183,485	5,947,248	10,186,808	(5,295,894)	8,653,292	(9,141,767)

Table 3

**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenues By Source
Last Ten Years
(Unaudited)**

Year	Operating Revenues (1)	Sales And Use Tax	Federal Operating Grants And Reimbursements	Investment Income	Other (2)	Total
2009	\$ 1,658,675	20,821,573	805,664	81,807		23,367,719
2010	\$ 1,626,297	22,891,712	995,526	100,071	8,012	25,621,618
2011	\$ 1,813,663	26,235,525	2,527,017	27,860	1,733	30,605,798
2012	\$ 1,851,238	31,571,834	3,226,061	51,173	1,086	36,701,392
2013	\$ 1,875,420	32,064,316	1,416,988	62,160	225	35,419,109
2014	\$ 2,179,796	35,188,390	125,900	110,052	46,519	37,650,657
2015	\$ 2,283,647	34,127,803	2,512,070	125,143	-	39,048,663
2016	\$ 2,400,445	31,387,198	1,185,650	69,049	32,007	35,024,599
2017	\$ 2,502,422	32,570,355	4,618,731	85,535	(269,101)	39,507,942
2018	\$ 2,445,905	33,934,640	58,410	409,036	-	36,847,991

(1) Fares, bus bench advertising, on-board advertising, and other ancillary revenues.

(2) Includes rental income from leasing office space at the former Six Points location and gain on sales of buses and other property.

Table 4

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenues And Operating Assistance - Comparison To Industry Trend Data
Last Ten Years
(Unaudited)

Year	Operating And Other Miscellaneous	Sales And Use Tax	Operating Grants And Reimbursements	Operating And Other Miscellaneous	Directly Generated Tax	Other Grants And Assistance
	Corpus Christi RTA			Transportation Industry (1)		
2009	7.5%	89.1%	3.4%	37.4%	6.5%	56.1%
2010	6.7%	89.3%	4.0%	37.5%	6.5%	56.0%
2011	6.0%	85.7%	8.3%	37.8%	6.2%	56.0%
2012	5.2%	86.0%	8.8%	37.1%	6.5%	56.4%
2013	5.5%	90.5%	4.0%	36.3%	6.5%	57.3%
2014	6.2%	93.5%	0.3%	35.9%	6.9%	57.2%
2015	6.2%	87.4%	6.4%	37.4%	6.7%	55.9%
2016	6.8%	86.4%	6.8%	36.3%	6.7%	57.0%
2017	6.3%	82.4%	11.3%	36.3%	6.7%	57.0%
2018	8.6%	88.2%	3.2%	*	*	*

(1) Source: The American Public Transportation Association, 2019 Public Transportation Fact Book, Appendix A: Historical Tables, Table 87, *Operating Funding Sources*.
<https://www.apta.com/research-technical-resources/transit-statistics/public-transportation-fact-book/>

* Not Available

Table 5

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Passenger Fee Capacity
Last Ten Years
(Unaudited)

Year	Total Unlinked Trips	Passenger Revenues
2009	5,283,174	1,577,232
2010	5,434,286	1,537,772
2011	6,011,114	1,660,782
2012	6,065,174	1,706,528
2013	6,016,379	1,750,624
2014	5,927,292	1,844,604
2015	5,764,797	1,853,246
2016	5,469,160	1,735,001
2017	5,373,324	1,696,742
2018	5,366,985	1,688,643

Table 6

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Miscellaneous Revenue Information
(Unaudited)

Sales Tax:

The Authority's Sales and Use Tax rate has remained the same since it began in 1985. The overall local sales and use tax rate is limited to 8.25%. The local rate is currently at the maximum.

0.50%	Corpus Christi MTA 3178998 (Rate 1/2%) Eff: 01/01/86
	Aqua Dulce
	Bishop
	Corpus Christi
	Driscoll
	Gregory
	Unincorporated Nueces County (Excluding Petronila)
	Port Aransas
	Robstown
	San Patricio

Source: Texas Comptroller of Public Accounts

Farebox Recovery Ratio:

Definition: Ratio of passenger service revenues to transit operating costs, excluding depreciation.

Significance: Indicates how much of cost of service provision is supported by user fees.

2009	.....	7.41%
2010	.....	6.93%
2011	.....	6.98%
2012	.....	6.76%
2013	.....	6.93%
2014	.....	6.70%
2015	.....	6.37%
2016	.....	5.75%
2017	.....	5.50%
2018	.....	5.09%



Table 7

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY

Ratio of Outstanding Debt

Last Ten Years

(Unaudited)

Year	Revenue Bonds	Per Capita Income	Percent of Personal Income
2009	\$ -	-	-
2010	\$ -	-	-
2011	\$ -	-	-
2012	\$ -	-	-
2013	\$ 22,025,000	42,151	0.19%
2014	\$ 21,450,000	44,108	0.21%
2015	\$ 20,915,000	42,859	0.20%
2016	\$ 20,375,000	40,800	0.20%
2017	\$ 19,820,000	42,024	0.20%
2018	\$ 19,245,000	41,873	0.22%



Table 8

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Revenue Bond Coverage
Last Ten Years
(Unaudited)

Year	Pledged Revenues (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2009	\$ -	-	-	-	-
2010	\$ -	-	-	-	-
2011	\$ -	-	-	-	-
2012	\$ -	-	-	-	-
2013	\$ -	-	-	-	-
2014	\$ 2,179,796	575,000	1,033,678	1,608,678	1.36
2015	\$ 2,283,647	535,000	1,073,365	1,608,365	1.42
2016	\$ 2,400,445	540,000	1,064,246	1,604,246	1.50
2017	\$ 2,842,367	555,000	1,048,026	1,603,026	1.77
2018	\$ 3,314,459	575,000	1,029,908	1,604,908	2.07

(1) Pledged revenues (effective starting in 2014) represent all system revenues, which include passenger service, bus advertising, charter service, and other operating revenues.

Table 9

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Demographic Statistics
Last 10 Ten Years
(Unaudited)

Year	Population	Personal Income (in thousands)	Mean Per Capita Income	Public School Enrollment	Unemployment Rate
	(1)	(1)	(1)	(2)	(3)
2009	338,220	\$11,647,857	\$34,439	61,260	6.70%
2010	340,373	\$12,438,913	\$36,545	61,415	7.60%
2011	343,281	\$13,196,232	\$38,441	62,011	7.70%
2012	347,691	\$14,226,934	\$40,918	62,596	6.20%
2013	352,107	\$14,841,683	\$42,151	62,382	4.50%
2014	355,638	\$15,685,304	\$44,108	62,286	4.44%
2015	359,715	\$15,416,870	\$42,859	62,382	4.43%
2016	361,350	\$14,743,237	\$40,800	62,298	5.90%
2017	362,579	\$15,237,020	\$42,024	62,159	4.80%
2018	361,221	\$15,125,406	\$41,873	61,879	5.80%

(1) Nueces County - Source: US Dept. of Commerce Bureau of Economic Analysis

(2) Nueces County - Source: Nueces County/Texas Education Agency/PEIMS
- 2015 and 2016 Enrollment figures include charter schools

(3) Nueces County - Source: U.S. Department of Labor-Bureau of Labor Statistics



Table 10

**CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Top Ten Employers
By Size of Employment
(Unaudited)**

Business	2018			2009		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Corpus Christi ISD	5,944	1	2.72%	5,178	2	3.4%
Naval Air Station Corpus Christi	4,500	2	2.06%	5,525	1	3.6%
H.E.B. Stores & Bakery	3,840	3	1.76%	5,000	3	3.3%
CHRISTUS Spohn Health Systems	3,000	4	1.56%			
Corpus Christi Army Depot	3,400	5	1.56%	3,541	4	2.3%
City of Corpus Christi	3,202	6	1.47%	3,171	5	2.1%
Driscoll Children's Hospital	2,512	7	0.98%	1,800	7	1.2%
Kiewit Offshore Services	1,750	8	0.80%			
Bay Ltd.	1,700	9	0.78%	2,100	6	1.4%
Corpus Christi Medical Center	1,500	10	0.86%	1,300	9	0.8%
Del Mar College				1,542	8	1.0%
First Data Corporation				1,200	10	0.8%

Source: Corpus Christi Regional Economic Development Corp.

Corpus Christi, Employment provided by Bureau of Economic Analysis

Table 11

CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Full-Time Equivalent Positions
(Unaudited)

	2009	2010	2011	2012
Transportation				
Transportation - Directly Operated	117.00	117.00	122.00	131.00
Purchased Transportation*	1.00	1.00	1.00	1.00
	118.00	118.00	123.00	132.00
Maintenance				
Vehicle Maintenance	38.00	38.00	38.00	36.00
Facilities Maintenance	14.00	14.00	14.00	14.00
Materials Management	4.00	4.00	4.00	4.00
	56.00	56.00	56.00	54.00
Program Development				
Customer Programs	7.00	7.00	6.00	8.00
Service Development	3.00	3.00	4.00	4.00
Program Management	2.00	2.00	2.00	2.00
Marketing & Communications	2.00	2.00	2.00	2.00
	14.00	14.00	14.00	16.00
General Administrative:				
MIS	2.00	2.00	1.00	1.00
Contracts and Grants	3.00	3.00	2.00	3.00
CEO's Office	5.00	5.00	3.00	3.00
Finance and Accounting	5.80	5.80	5.80	5.80
Human Resources	3.00	3.00	2.00	2.00
General Administration	2.00	2.00	2.00	3.00
Safety and Security	-	-	-	-
Staples Street Center	-	-	-	-
TCN - Regional Coordinator	-	1.00	1.00	-
	20.80	21.80	16.80	17.80
Totals	208.80	209.80	209.80	219.80

*The Authority has about 100 additional contracted staff under various purchased transportation contracts

**Effective 2016, the Authority reported actual FTE positions as of year-end. Prior years reported budgeted positions. This change is in accordance with GASB Statement 44, *Economic Condition Reporting: The Statistical Section-An Amendment of NCGA Statement 1*.



2013	2014	2015	2016	2017	2018
131.00	160.00	169.00	154.50	145.00	132.50
3.00	3.00	3.00	2.00	0.00	0.00
134.00	163.00	172.00	156.50	145.00	132.50
36.00	38.00	41.00	36.00	37.00	33.00
15.00	15.00	15.00	12.50	14.50	14.50
4.00	3.00	3.00	4.00	3.00	3.00
55.00	56.00	59.00	52.50	54.50	50.50
4.00	4.80	4.80	5.50	6.00	6.50
4.00	3.00	3.00	4.00	4.00	4.00
2.00	2.00	2.00	3.00	3.00	1.00
3.00	3.00	3.00	2.50	3.00	3.00
13.00	12.80	12.80	15.00	16.00	14.50
2.00	3.00	3.00	6.00	6.00	6.00
3.00	5.00	5.00	1.00	3.00	3.00
1.00	1.00	1.00	2.00	1.00	1.00
5.55	5.55	5.55	6.55	5.50	6.00
3.00	3.00	3.00	3.00	3.00	3.00
8.00	5.00	5.00	5.00	6.00	6.00
1.00	1.00	2.00	2.50	2.50	2.00
-	-	-	3.50	4.00	4.00
-	-	-	-	-	-
23.55	23.55	24.55	29.55	31.00	31.00
225.55	255.35	268.35	253.55	246.50	228.50



Table 12
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Operating Statistics and Assets Utilized
Last Ten Years
(Unaudited)

		2009	2010	2011	2012
System Ridership					
Motor Bus	a	5,064,696	5,238,131	5,749,312	5,764,790
Demand Response / Para-transit	b	196,617	190,745	199,368	202,974
Ferry Boat	b	11,683	-	52,951	86,676
Vanpool	c/f	10,178	5,410	-	-
System Hours					
Motor Bus	a	207,551	225,073	226,999	237,320
Demand Response / Para-transit	b	68,680	71,558	74,728	79,413
Ferry Boat	b	545	-	881	1,135
Vanpool	c/f	961	965	-	-
System Miles					
Motor Bus	a	2,785,415	3,232,691	3,256,971	3,387,397
Demand Response / Para-transit	b	1,348,943	1,599,595	1,556,289	1,425,691
Ferry Boat	b	1,860	-	2,179	2,660
Vanpool	c/f	25,525	29,710	-	-
Vehicles In Service					
Motor Bus	a	63	58	56	59
Demand Response / Para-transit	b	30	26	26	26
Ferry Boat	b	1	-	1	2
Vanpool	c/f	2	4	-	-
Uses of Capital Funds					
Vehicles	e	\$ 8,397,094	526,506	2,707,772	4,864,974
Communications & Information		\$ 738,184	562,545	425,524	439,364
Facilities and Stations		\$ 3,844,189	471,546	1,022,722	7,228,414
Other		\$ 1,417,030	2,189,577	1,708,706	1,061,601
Operating Expenses by Mode					
Motor Bus	a	\$ 16,519,155	17,410,873	18,262,737	19,150,089
Demand Response / Para-transit	b	\$ 4,425,076	4,568,425	4,976,669	5,351,413
Ferry Boat	b	\$ 182,925	-	435,411	617,831
Vanpool	c/f	\$ 69,857	78,084	-	-

a - Directly Operated (Transportation Department) and Purchased Transportation (oversees contractors)

b - Purchased Transportation (contractors overseen by the Purchased Transportation Department)

c - Directly Operated - Customer Programs Department oversees operation of vanpools (through 2011)

d - Excludes miles not spent in active transportation service (i.e. deadhead, maintenance miles driven, etc.)

e - May not agree with GAAP-basis financial statements due to differences in NTD accounting methodologies

f - Van Pool operations did not meet FTA guidelines from 2012 - 2014 and were not reported on the NTD

report, however in 2015 Van Pool operations qualified and are included

Source: National Transit Database



2013	2014	2015	2016	2017	2018
5,728,793	5,650,677	5,472,836	5,252,466	5,168,421	5,153,005
194,394	192,580	198,652	204,459	195,101	197,978
93,192	84,035	76,870	-	-	-
-	-	16,439	15,417	9,802	16,002
225,151	243,732	259,377	269,711	267,036	275,532
70,328	74,236	78,850	81,258	77,501	78,319
1,185	750	805	-	-	-
-	-	7,686	9,027	3,457	1,935
3,021,215	3,053,596	3,414,445	3,546,503	3,864,934	3,721,249
1,225,323	1,252,615	1,349,727	1,401,147	1,332,822	1,350,787
2,625	1,756	1,886	-	-	-
-	-	181,220	184,532	75,406	82,942
60	75	66	67	92	88
26	38	28	28	41	36
2	1	1	-	-	-
6	3	5	6	5	10
5,142,277	-	17,996,141	139,358	8,119,989	244,460
66,065	99,046	196,394	906,221	477,613	59,904
2,729,941	7,337,105	1,273,498	8,680,069	5,718,703	118,531
2,270,946	1,165,647	1,159,287	276,415	827,638	795,066
18,984,978	21,324,898	20,495,063	24,357,254	25,939,360	25,928,435
5,585,657	5,556,262	5,278,853	5,353,867	4,954,285	4,934,149
607,748	626,005	766,082	-	-	-
-	-	152,825	163,054	102,522	92,839

Source: National Transit Database

Table 13
CORPUS CHRISTI REGIONAL TRANSPORTATION AUTHORITY
Miscellaneous Statistics
(Unaudited)

Date Authority Created	August 10, 1985
Date Authority Began Operations	January 1, 1986
Form of Government	Board of Directors, CEO
Board of Directors	11
Service Area Square Miles ¹	841
Population in Service Area ¹	348,892
Type of Tax Support	Sales and Use Tax
Sales Tax Rate	.50%
Base Fare	\$0.75
Number of Routes ²	37
Number of Transfer Stations ²	4
Number of Bus Stops ²	1,383

¹ Source: 2018 NTD Report

² Historical trend information is not available. See Table 12 for utilization and level of capital investment trends.

2018

Single Audit Section

Comprehensive Annual Financial Report



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*

To the Board of Directors of the
Corpus Christi Regional Transportation Authority
Corpus Christi, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Corpus Christi Regional Transportation Authority (the "Authority"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 30, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

Corpus Christi, Texas
July 30, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Corpus Christi Regional Transportation Authority
Corpus Christi, Texas

Report on Compliance for Each Major Federal Program

We have audited the Corpus Christi Regional Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Caru, Riggs & Ingram, L.L.C.

Corpus Christi, Texas
July 30, 2019

**Corpus Christi Regional Transportation Authority
Fiscal 2018 Comprehensive Annual Financial Report
Schedule of Findings and Questioned Costs**

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Corpus Christi Regional Transportation Authority (RTA).
2. There were no instances of noncompliance material to the financial statements of the RTA reported in the *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*.
3. No material weaknesses related to the audit in the *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*.
4. No significant deficiencies noted related to the audit in the *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*.
5. The *Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance* expresses an unmodified opinion on the major federal program.
6. There were no findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The major programs tested for the year ended December 31, 2018 were:

Federal Transit Administration – Federal Transit Cluster:	
Capital Investment Grant	20.500
Capital Investment Grant	20.507
Capital Investment Grant	20.526

8. The dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. The Authority was determined to be a high-risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended December 31, 2018.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

There were no findings related to compliance and other matters for the year ended December 31, 2018.

**Corpus Christi Regional Transportation Authority
Fiscal 2018 Comprehensive Annual Financial Report
Schedule of Findings and Questioned Costs**

D. FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM

There were no findings or questioned costs related to the major federal award programs for the year ended December 31, 2018.

E. PRIOR YEAR FINDINGS AND QUESTIONED COST

There were no prior year findings or questioned costs for the year ended December 31, 2017.



Corpus Christi Regional Transportation Authority
Schedule of Expenditures of Federal Financial Awards
Year Ended December 31, 2018

GRANTOR	Federal CFDA Number	Grant Number	Passed through to Subrecipients	Expenditures, Indirect Costs, And Refunds
<u>DEPARTMENT OF TRANSPORTATION</u>				
<i>Federal Transportation Administration (FTA):</i>				
Federal Transit Cluster				
Capital Investment Grant	20.500	TX04-0114	\$	\$ 28,061
Capital Investment Grant	20.507	TX17-0034		207,791
Capital Investment Grant	20.526	TX18-0074		31,996
Capital Investment Grant	20.500	TX90-Y059		376,706
			-	644,554
Transit Formula Funds	20.507	TX17-0076		540,372
			-	540,372
Total Federal Transit Cluster			-	1,184,926
Management Internship Program	20.514	TX26-7108		9,394
Seniors and Individuals with Disabilities	20.513	TX16-0083	46,299	46,299
			46,299	55,693
New Freedoms	20.521	TX57-4007	-	2,717
			-	2,717
Total Department of Transportation			\$ 46,299	1,243,336

Corpus Christi Regional Transportation Authority
Notes to Schedule of Expenditures of Federal Financial Awards
For the Year Ended December 31, 2018

(1) General

The accompanying Schedule of Expenditures of Federal Financial Awards presents the activity of all Federal financial assistance programs of the Authority. The Authority's organization is defined in Note 1 to the Authority's Basic Financial Statements.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Financial Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's Basic Financial Statements.

(3) Relationship to Basic Financial Statements

Federal financial capital and operating assistance is reported in the Authority's basic financial statements as follows:

Federal and Other Grant Assistance	\$	58,410
Less: State & Local Grants		-
Capital Grants & Donations		<u>1,184,926</u>
Total Federal Grants	\$	<u>1,243,336</u>

(4) Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Financial Awards may not agree with amounts reported in the related Federal financial reports filed with the grantor agency because of accruals which would be included in the next reports filed with the agencies.

(5) Indirect Costs

The Authority has not elected to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.





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