



BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Financial Statements, Required Supplementary Information, and
Other Supplemental Schedules

June 30, 2015

(With Independent Auditors' Report Thereon)

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

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Independent Auditors' Report

The Advisory Board
Brockton Area Transit Authority:

Report on the Financial Statements

We have audited the accompanying statement of net position of the Brockton Area Transit Authority (the Authority) (a component unit of the Massachusetts Department of Transportation) as of June 30, 2015, and the statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net financial position of the Authority, as of June 30, 2015, and the change in net position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As described in notes 9 and 13 to the financial statements, in 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules and related notes included under Required Supplementary Information in the accompanying table of contents 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 Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The other supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental schedules 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 other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

October 22, 2015

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2015

(Unaudited)

The following is offered to the reader of the Brockton Area Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Brockton Area Transit Authority (the Authority) during the fiscal year ended June 30, 2015. Please read this discussion and analysis in conjunction with the Authority's financial statements.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$19,299,050.
- The Authority's total net position decreased by \$1,505,385 during fiscal year 2015 and increased by \$1,759,956 during fiscal year 2014. This change of \$3,265,341 from fiscal year 2014 to fiscal year 2015 is mainly due to a decrease in federal capital grants pertaining to the decrease in capital asset purchases.
- The Authority's operating expenses, less operating revenues and depreciation, are funded annually through a combination of federal, state, and local assistance.
- The Authority's unrestricted cash and cash equivalents and restricted cash decreased by approximately \$4,040,000. This decrease is mainly due to the Commonwealth of Massachusetts changing its method of cash reimbursement for operating assistance from paying in arrears to forward funding in fiscal year 2014 resulting in a decrease in the notes payable from \$9,800,000 at June 30, 2014 to \$5,880,000 at June 30, 2015. The Authority borrowed \$9,800,000 during the prior year as it had not received its cash reimbursement as of the time of borrowing.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority is a special-purpose government engaged in only business-type activities. As such, its financial statements consist of only those required for proprietary funds and notes to the financial statements.

The proprietary fund statement offers short-term and long-term financial information about the business-type activities of the Authority.

BROCKTON AREA TRANSIT AUTHORITY
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Required Supplementary Information
Management's Discussion and Analysis

June 30, 2015

(Unaudited)

The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the financial statements.

Condensed Financial Information

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 7,369,563	11,149,474
Noncurrent and capital assets, net	20,275,030	22,268,890
Deferred outflows of resources related to pensions	62,434	—
Total assets and deferred outflows of resources	<u>\$ 27,707,027</u>	<u>33,418,364</u>
Current liabilities	\$ 1,235,827	1,640,139
Long-term liabilities	6,635,888	10,521,243
Long-term net pension liabilities	459,550	—
Deferred inflows of resources related to pensions	76,712	—
Total liabilities and deferred inflows of resources	<u>\$ 8,407,977</u>	<u>12,161,382</u>
Net position:		
Net investment in capital assets	\$ 19,435,073	21,233,617
Restricted	126,264	—
Unrestricted	<u>(262,287)</u>	<u>23,365</u>
Total net position	<u>\$ 19,299,050</u>	<u>21,256,982</u>

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Management's Discussion and Analysis

June 30, 2015

(Unaudited)

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Passenger fares	\$ 3,787,165	3,744,032
Other operating revenues	396,506	359,395
Total operating revenues	<u>4,183,671</u>	<u>4,103,427</u>
Operating expenses:		
Transportation services	10,889,719	10,607,373
Other operating expenses	4,144,818	3,954,830
Total operating expenses, excluding depreciation	<u>15,034,537</u>	<u>14,562,203</u>
Depreciation	<u>3,297,762</u>	<u>2,826,835</u>
Total operating expenses, including depreciation	<u>18,332,299</u>	<u>17,389,038</u>
Operating loss	<u>(14,148,628)</u>	<u>(13,285,611)</u>
Nonoperating revenues (expenses):		
Contract assistance and local assessments	10,910,764	10,601,029
Other	(28,578)	(64,460)
Total nonoperating revenues	<u>10,882,186</u>	<u>10,536,569</u>
Loss before extraordinary expense and stabilization fund and capital grants	(3,266,442)	(2,749,042)
Extraordinary expense and stabilization fund	(22,417)	(77,791)
Capital grants	<u>1,783,474</u>	<u>4,586,789</u>
(Decrease) increase in net position	<u>(1,505,385)</u>	<u>1,759,956</u>
Beginning net position, as restated	<u>20,804,435</u>	<u>19,497,026</u>
Ending net position	<u>\$ 19,299,050</u>	<u>21,256,982</u>

The Authority's net position consists primarily of its net investment in capital assets (e.g., land, transfer center, maintenance facility, transportation equipment, and miscellaneous equipment). The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, this component of net position is not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any related debt outstanding must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

BROCKTON AREA TRANSIT AUTHORITY
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Required Supplementary Information
Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Key factors in the changes in noncapital revenues and expenses are as follows:

- Total operating expenses, excluding depreciation, increased overall by \$472,334, or approximately 3.24%, as a result of contractual increases in labor and health insurance as well as increases in consulting fees and other general operating costs.
- Interest expense decreased by \$36,129, or approximately 50.4%. This is a result of the a decrease in the notes payable from \$9,800,000 at June 30, 2014 to \$5,880,000 at June 30, 2015 and the decrease in the interest rates.
- Federal assistance assessed by the Authority was approximately 62.9% of the previous fiscal year's level. The \$831,013 decrease was largely due Commonwealth of Massachusetts increasing their assistance by \$1,041,870, or approximately 18.05%.
- Revenues from assessments from member municipalities increased by \$98,878, or approximately 3.8%, as a result of the statutorily allowed annual 2.5% increase plus the members share of new service.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2015 and 2014 amounted to \$19,435,073 and \$21,532,997, respectively, net of accumulated depreciation. This investment in capital assets includes land, transfer center, maintenance facility, transportation equipment, and miscellaneous equipment.

Capital asset additions during the fiscal years included the following:

	<u>2015</u>	<u>2014</u>
Transfer center and maintenance facility	\$ 107,741	89,801
Buses, fareboxes, and support vehicles	645,813	3,814,062
Miscellaneous equipment	446,287	694,669
	<u>\$ 1,199,841</u>	<u>4,598,532</u>

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. Capital asset additions decreased by \$3,398,691, which was due to the Authority continuing with its midlife vehicle overhaul program in lieu of replacing fixed route vehicles in fiscal year 2015.

At year-end, the Authority had \$5,880,000 of Revenue Anticipation notes outstanding.

BROCKTON AREA TRANSIT AUTHORITY
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Required Supplementary Information
Management's Discussion and Analysis

June 30, 2015

(Unaudited)

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily (approximately 71.68%) on contract assistance from the Commonwealth of Massachusetts. The budgetary planned increase for state contract assistance is 2.5% or \$6,983,107 for the Authority's fiscal year 2016. The planned increase for state contract assistance is consistent with the legislature's intent and actions related to the Commonwealth's Transportation Finance Bill. The Authority anticipates continued improvement in its cash flows due to forward funding efforts of the state's contract assistance and monthly reimbursements of prior year's local assessments from member communities. The Authority has been able to dramatically reduce the amount of Revenue Anticipation Notes (RANs) that need to be issued on an annual basis. RANs still need to be issued to cover assistance received from The Federal Transit Administration (FTA), reimbursements for community local assessments, as well as, other seasonal and fluctuating cash flow requirements. The Transportation Finance Bill required regional transit authorities to conduct Comprehensive Regional Transit Plans (CRTP) involving various stakeholders and partners to review and evaluate the transit system's effectiveness and efficiency while seeking to improve the mobility of individuals within the transit authority's region and the commonwealth. The plan is being developed by the Old Colony Planning Council (OCPC) and is expected to be completed by October 31, 2015.

As a result of the present efforts related to the CRTP, as well as, the development of the Regional Transportation Plan (RTP) prepared by OCPC, BAT had expanded service in fiscal year 2015 and is planning for continued service improvements and modest expansion during fiscal year 2016.

New Pronouncements

In fiscal year 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (including an amendment), which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures*.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Reinald G. Ledoux, Jr., Administrator, Brockton Area Transit Authority, 155 Court Street, Brockton, Massachusetts 02302.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2015

Assets and Deferred Outflows

Current assets:	
Unrestricted cash and cash equivalents (note 6)	\$ 2,674,895
Restricted cash (note 6)	126,264
Receivables for operating assistance:	
Commonwealth of Massachusetts and cities and towns	2,587,838
United States Department of Transportation	767,137
Receivables for capital grants:	
Commonwealth of Massachusetts	711,534
United States Department of Transportation	59,860
Other accounts receivable, net	235,694
Other current assets	206,341
Total current assets	<u>7,369,563</u>
Noncurrent assets:	
Capital assets (note 8):	
Land	863,587
Transfer center and maintenance facility	15,909,351
Buses, fareboxes, and support vehicles	23,403,166
Miscellaneous equipment	5,408,306
Less accumulated depreciation	<u>(26,149,337)</u>
Total capital assets, net	19,435,073
Receivable from cities and towns	<u>839,957</u>
Total noncurrent assets, net	<u>20,275,030</u>
Total assets	27,644,593
Deferred outflows related to pensions (note 9)	<u>62,434</u>
Total assets and deferred outflows of resources	<u><u>\$ 27,707,027</u></u>

Liabilities and Deferred Inflows

Current liabilities:	
Accounts payable and accrued expenses	\$ 409,654
Due to operators (note 5)	772,437
Accrued interest	<u>53,736</u>
Total current liabilities	<u>1,235,827</u>
Long-term liabilities:	
Unearned revenue (note 7)	755,888
Notes payable (note 3)	5,880,000
Net pension liabilities (note 9)	<u>459,550</u>
Total liabilities	7,095,438
Deferred inflows of resources (note 9)	<u>76,712</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 8,407,977</u></u>

Net Position

Net investment in capital assets	\$ 19,435,073
Restricted	126,264
Unrestricted	(262,287)
Commitments and contingencies (note 11)	
Total net position	<u><u>\$ 19,299,050</u></u>

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
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Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2015

Operating revenues:	
Passenger fares	\$ 3,787,165
Reimbursement of maintenance	78,540
Facility and parking income	117,189
Advertising	149,238
Miscellaneous	51,539
Total operating revenues	4,183,671
Operating expenses:	
Transportation services	10,889,719
Materials, supplies, and maintenance	1,660,328
Insurance	916,985
Professional and management services	649,452
Marketing and advertising	42,243
Administrative and general	875,810
Total operating expenses, excluding depreciation	15,034,537
Depreciation	3,297,762
Total operating expenses, including depreciation	18,332,299
Operating loss	(14,148,628)
Nonoperating revenues (expenses):	
Local assessments	2,691,908
Contract assistance (note 4):	
Federal	1,406,069
Commonwealth of Massachusetts	6,812,787
Interest income	7,002
Interest expense	(35,580)
Total nonoperating revenues	10,882,186
Loss before extraordinary expense and capital grants	(3,266,442)
Extraordinary expense	(22,417)
Capital grants:	
Federal grants	903,335
Commonwealth of Massachusetts grant	880,139
Total capital grants	1,783,474
Decrease in net position	(1,505,385)
Net position, beginning of year, as restated (note 13)	20,804,435
Net position, end of year	\$ 19,299,050

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:	
Passenger fares	\$ 3,774,937
Other cash receipts	334,805
Payments to operators	(11,723,250)
Payments to other vendors	(3,355,860)
Net cash used in operating activities	<u>(10,969,368)</u>
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	5,880,000
Principal paid on revenue anticipation notes	(9,800,000)
Contract assistance	10,811,316
Interest paid on revenue anticipation notes	(59,744)
Net cash provided by noncapital financing activities	<u>6,831,572</u>
Cash flows from capital and related financing activities:	
Receipt from capital grants	1,550,038
Purchase of capital assets	(1,489,678)
Proceeds from sale of fixed assets	32,868
Net cash provided by capital and related financing activities	<u>93,228</u>
Cash flow from investing activity:	
Interest income	7,002
Net cash provided by investing activity	<u>7,002</u>
Net decrease in unrestricted cash and cash equivalents and restricted cash	(4,037,566)
Unrestricted cash and cash equivalents and restricted cash, beginning of year	<u>6,838,725</u>
Unrestricted cash and cash equivalents and restricted cash, end of year	<u><u>\$ 2,801,159</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,148,628)
Adjustments:	
Depreciation	3,297,762
Gain on sale of fixed assets	(32,868)
Changes in assets and liabilities:	
Other accounts receivable and other current assets	(28,833)
Payables and accrued expenses	40,837
Due to operators	(131,147)
Other	33,509
Net cash used in operating activities	<u><u>\$ (10,969,368)</u></u>

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2015

(1) The Authority and Operations

The Brockton Area Transit Authority (the Authority) was established on September 30, 1974 by the City of Brockton pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth of Massachusetts (the Commonwealth) to provide transit services to the City of Brockton and the surrounding region.

The following towns are also members of the Authority:

<u>Town</u>	<u>Date of membership</u>
Avon	August 1976
Stoughton	November 1977
Bridgewater	December 1985
East Bridgewater	May 1986
Abington	May 1987
West Bridgewater	April 1988
Whitman	December 1991
Easton	April 1992
Rockland	January 2009
Hanson	November 2013

(2) Summary of Significant Accounting Policies

(a) Reporting Entity and Basis of Accounting

In accordance with the requirements of the Governmental Accounting Standards Boards (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the financial statements present the Authority (the primary government) and its component units. Pursuant to this criteria, no component units were identified for inclusion in the accompanying financial statements. Additionally, the Authority is a component unit of the Massachusetts Department of Transportation (MassDOT), and its financial statements are incorporated into the financial statements of the MassDOT.

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions by and on behalf of the Authority, the reporting entity. The Authority accounts for its operations as an enterprise fund. Operating revenues and expenses result from the Authority providing transit services to its member communities. All other revenues and expenses are classified as nonoperating revenues and expenses.

BROCKTON AREA TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2015

(b) Capital Assets

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the economic useful life of ten to thirty years for the transfer center and maintenance facility, five to twelve years for buses and support vehicles, twelve years for fareboxes, and three to ten years for miscellaneous equipment. The Authority had no assets donated to it in fiscal year 2015.

(c) Unearned Revenue

Unearned revenue arises when assets are recorded before eligibility requirements have been met.

(d) Unrestricted Cash and Cash Equivalents

The Authority generally considers all highly liquid, temporary cash investments with original maturities of three months or less to be cash equivalents.

(e) Reimbursed Cost of Service

The legislative act under which the Authority was established provides, among other things, that the Commonwealth reimburses the Authority for the “net cost of service”, as defined. A portion of the amount not reimbursed is then assessed to the city and towns constituting the Authority. The “net cost of service”, as defined, does not include a charge for depreciation. It does, however, include debt service payments made in connection with long-term indebtedness. For financial reporting purposes, the Authority follows the generally accepted accounting method of depreciating the cost of property over its economic useful life.

(f) Capital Grants

The Authority receives capital grants from certain governmental agencies (note 4) to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment.

(g) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Brockton’s Contributory Retirement System (the System) and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. 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.

(h) Use of Estimates

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

BROCKTON AREA TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2015

(i) Statement of Net Position

The statement of net position presents all of the Authority's assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt attributed to the acquisition, construction, or improvement of the asset.
- **Restricted net position** consists when constraints placed on net position use are either externally imposed or imposed by law through enabling legislation.
- **Unrestricted net position** consists of net position, which does not meet the definition of the two preceding categories.

(3) Notes Payable

At June 30, 2015, the Authority had \$5,880,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 0.4210% and are due August 5, 2015.

	<u>Outstanding at June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding at June 30, 2015</u>
0.6065% revenue anticipation note	\$ 9,800,000	—	(9,800,000)	—
0.4210% revenue anticipation note	—	5,880,000	—	5,880,000
Total	<u>\$ 9,800,000</u>	<u>5,880,000</u>	<u>(9,800,000)</u>	<u>5,880,000</u>

Subsequent to year-end, the Authority retired \$5,880,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of \$5,750,000 of revenue anticipation notes with a weighted average net interest cost of 0.5636%, and are due August 5, 2016.

(4) Grants

Under Sections 5307 and 5309 of the Transportation Equity Act of the 21st Century of 1998 (the Act), the United States Department of Transportation approves capital grants to fund up to 80% of the Authority's capital improvement projects. The remaining portion of approximately 20% will be financed through state and local funds.

The Authority is also eligible for grants for operating or contract assistance from the United States Department of Transportation. Pursuant to Section IX of the Act, as amended, the federal government may fund up to 50% of the Authority's net cost of service, as defined. Such funds for fiscal year 2015 amounted to \$1,120,379.

In addition, for the year ended June 30, 2015, the Authority recognized \$166,675 of federal assistance for the Jobs Access Reverse Commute Program and the Authority recognized \$119,015 of federal assistance for the Jobs Access Reverse Commute/New Freedoms Program for new service provided.

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Notes to Financial Statements

June 30, 2015

The Commonwealth of Massachusetts provides for operating assistance to cover a portion of the Authority's net cost of service.

(5) Due to Operators

The balance at June 30, 2015 of \$772,437 includes parts and supplies inventories purchased by the operators for use in the Authority's buses and is stated at lower of cost or market.

(6) Unrestricted Cash and Cash Equivalents and Restricted Cash

The following represents essential risk information about the Authority's deposits and investments.

(a) Restricted Cash

Restricted cash is segregated from operating cash due to being restricted for capital asset purchases.

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are fully insured by FDIC insurance.

(c) Investment Policy

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT), an external investment pool.

(d) Interest Rate Risk

As of June 30, 2015, the Authority's only short-term investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment at June 30, 2015 was \$2,467,897 and its average maturity is less than one year.

(e) Credit Risk

As of June 30, 2015, the Authority's short-term investment in the state investment pool, MMDT, was not rated.

BROCKTON AREA TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2015

(7) Unearned Revenue, Including Extraordinary Reserve and Stabilization Fund

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses that are both unusual in nature and infrequent in occurrence. The total reserve amount may not exceed 20% of the prior year's local assessment and the annual funding cannot exceed 3% of the current year's local assessment. The accumulated aggregate reserve of \$538,381 (which represents approximately 20% of the applicable local assessment of \$2,691,908) is included in unearned revenue in the accompanying statement of net position.

Chapter 161B of the General Laws of the Commonwealth has been amended to allow the Authority to establish a stabilization fund, which can be accessed for capital improvements or to offset an unforeseen and dramatic loss of revenue within a fiscal year. The Authority maintains a stabilization fund in the amount of \$193,219, which is included in unearned revenue in the accompanying statement of net position.

(8) Capital Assets

Capital assets consisted of the following at June 30, 2015:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 863,587	—	—	863,587
Total capital assets not being depreciated	<u>863,587</u>	<u>—</u>	<u>—</u>	<u>863,587</u>
Capital assets being depreciated:				
Transfer center and maintenance facility	15,872,787	107,741	71,177	15,909,351
Buses, fareboxes, and support vehicles	23,885,085	645,813	1,127,732	23,403,166
Miscellaneous equipment	<u>5,118,718</u>	<u>446,287</u>	<u>156,699</u>	<u>5,408,306</u>
Total capital assets being depreciated	<u>44,876,590</u>	<u>1,199,841</u>	<u>1,355,608</u>	<u>44,720,823</u>

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Less accumulated depreciation for:				
Transfer center and maintenance facility	\$ 8,988,042	613,606	71,177	9,530,471
Buses, fareboxes, and support vehicles	11,493,820	2,143,261	1,127,729	12,509,352
Miscellaneous equipment	<u>3,725,318</u>	<u>540,895</u>	<u>156,699</u>	<u>4,109,514</u>
Total accumulated depreciation	<u>24,207,180</u>	<u>3,297,762</u>	<u>1,355,605</u>	<u>26,149,337</u>
Total capital assets being depreciated, net	<u>20,669,410</u>	<u>(2,097,921)</u>	<u>3 *</u>	<u>18,571,486</u>
Capital assets, net	<u>\$ 21,532,997</u>	<u>(2,097,921)</u>	<u>3 *</u>	<u>19,435,073</u>

* Rounding difference

(9) Pension Plan

The Authority is a participant in the Brockton Contributory Retirement System (the System). The System is a contributory defined benefit plan, as established by MGL Chapter 32 covering all City of Brockton Retirement System member unit employees deemed eligible by the retirement board. The Retirement System is governed by a five-member board.

The System qualifies as a cost-sharing multiple employer plan since pension obligations exist for employees of more than one employer and plan assets can be used to pay the benefits of the employees of any employer. Member units are the City of Brockton, Brockton Housing Authority, Brockton Redevelopment Authority, and the Brockton Area Transit Authority. Each employer contributes into the plan annually as determined by the Public Employee Retirement Administration Commission (PERAC). Please see the section below entitled "Contributions" for more information.

The System issues a publicly available report that can be obtained by submitting a request to the System at 15 Christy Drive # 2, Brockton Massachusetts 02301.

Benefits provided. The System provides retirement, disability, and death benefits. The retirement allowance is determined as a product of the participant's Benefit Rate times Average Salary times Creditable Service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary (for employees hired prior to April 2, 2012) or 80% of the member's highest five year average (for employees hired on or after April 2, 2012). The benefit rate also varies with the member's retirement age and group classification (see below). Members may elect to receive their retirement allowances in one of three forms of payment (Options A, B, and C) per MGL Chapter 32.

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Members of the System are eligible for two types of disability benefits (ordinary and accidental disability) for which allowances are determined based on the date the member entered the System along with the “group” the member belongs to. Death benefits are also available for members who die as a result of a work-related injury if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired. Allowances for death benefits consist of immediate payments to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary.

Contributions. Member contributions vary depending on the most recent date of membership. Members who entered the system prior to 1975 contribute 5% of regular compensation. Members who entered between 1975 and 1983 contribute 7% of regular compensation. Members who entered between 1984 and June 30, 1996 contribute 8% of regular compensation. Members who entered after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined after 1978 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year. PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The System’s net pension liability was measured as of December 31, 2014 (i.e. the measurement date as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Update procedures were used to roll forward the total pension liability to the measurement date.

As of the measurement date the System reported a net pension liability of \$182,578,020 resulting in the Authority reporting a liability of \$459,550 for its proportionate share of the net pension liability in its June 30, 2015 Statement of Net Position. The Authority’s proportion of the net pension liability was based on the Authority’s actual contributions to the pension plan relative to the actual contributions of the participating employers.

The Authority’s proportion was 0.251701% for the current fiscal year and 0.309033% for the prior fiscal year.

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June 30, 2015

For the June 30, 2015 financial statements, the Authority recognized pension expense of \$21,388 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change of assumptions	\$ 36,048	—
Net difference between projected and actual earnings on pension plan investments	26,386	—
Changes in Authority's proportionate share of contributions	—	76,712
Total	<u>\$ 62,434</u>	<u>76,712</u>

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

Year ended June 30:

2016	\$ (2,025)
2017	(2,025)
2018	(2,025)
2019	(2,025)
2020	(6,178)

Actuarial assumptions. The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, except as noted below, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Not applicable
Investment rate of return	8.00%

The mortality rates applicable to nondisabled participants used for the prior year were based on the RP-2000 mortality table with projections specified by IRS Regulation 1.430(h)(3)-1, as applicable to the valuation year using a combined static table for both annuitants and nonannuitants. The mortality assumption applicable to nondisabled participants was changed to the RP-2000 mortality table projected generationally with Scale BB for males and females.

The actuarial assumptions used in the January 1, 2014 valuation were prepared using generally accepted actuarial principles and practices and meet the parameters set by GASB Statement No. 68. The assumptions used represent the best estimate of anticipated experience of the System.

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The long-term expected rate of return on System investments was determined using best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the System's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8.46%
Fixed income	1.83
Alternatives	7.92

Discount rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the pattern of contributions observed over the last five years. During that period, the employers contributed 100% of the cumulative recommended contribution level. Accordingly, the System's fiduciary net position was projected assuming that 100% of future recommended contribution levels will be contributed. Based on those assumptions, System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
The Authority's proportionate share of the Net Pension Liability	\$ 605,371	459,550	335,185

Pension plan fiduciary net position. Detailed information about the System's fiduciary net position is available in the separately issued City of Brockton Contributory Retirement System report.

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June 30, 2015

(10) Other Postemployment Benefit (OPEB) Disclosures

In addition to the pension benefits described in note 9 above, the Authority adopted a retiree health insurance benefit plan in June 2012. The plan will provide defined health insurance benefits for certain eligible retirees as defined in the plan.

(a) Annual OPEB Costs and Net OPEB Obligation

The Authority's annual OPEB expense is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The June 30, 2014 actuarial valuation as updated through June 30, 2015 established the ARC for fiscal year 2015. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortizes the unfunded actuarial liability over a period of 30-years. For the years ended June 30, 2015 and 2014, the Authority contributed at least 100% of the ARC. The ARC and any accumulated differences between the ARC and the amount paid was not material to the financial statements.

(b) Funded Status and Funding Progress

The funded status of the Authority's other postemployment benefit as of June 30, 2015, based on the June 30, 2014 actuarial valuation as updated through June 30, 2015 is as follows.

Actuarial accrued liability (AAL)	\$ 367,323
Actuarial value of plan assets	<u>293,858</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 73,465</u>
Funded ratio (actuarial value of plan assets/AAL)	80.0%
Covered payroll (active plan members)	\$ 472,991
UAAL as a percentage of covered payroll	15.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(c) Actuarial Methods and Assumptions

In the June 30, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return and projected salary increases of 3.00%. The actuarial value of assets was determined using fair value of investments. The Authority's

BROCKTON AREA TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2015

unfunded actuarial accrued liability is being amortized as a level percentage of Pay-As-You-Go-Funding basis. The remaining amortization period at June 30, 2015 was 26 years.

(11) Commitments and Contingencies

The Authority is party to claims in the normal course of business. Management believes that there is no significant liability associated with these claims.

The Authority has received capital and operating financial assistance from federal and state agencies in the form of grants. Funds spent under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. There were no known disallowances in the fiscal year ended June 30, 2015.

(12) 810 CMR 53.03(2) Disclosure (Unaudited)

The administrator (CEO), date of hire of July 7, 1980, compensation for fiscal year 2015 was \$130,940. The administrator receives a family health insurance plan and contributes 25% of the cost of the premium.

The Chief Financial Officer (CFO), date of hire of February 15, 1999, compensation for fiscal year 2015 was \$89,550. The CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

Advisory Board members and officers do not receive compensation.

(13) Change in Accounting Principle

Net position as of June 30, 2014 has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position, as previously reported, at June 30, 2014	\$ 21,256,982
Prior period adjustment:	
Reporting for pensions (measurement date as of December 31, 2013)	<u>(452,547)</u>
Net position, as restated, at June 30, 2014	<u>\$ 20,804,435</u>

(14) Subsequent Events

The Authority has evaluated events subsequent to June 30, 2015 through October 22, 2015, the date the financial statements were available for issuance, and determined that there are no material items that would require recognition or disclosure in the Authority's financial statements.

BROCKTON AREA TRANSIT AUTHORITY
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Required Supplementary Information (unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	<u>2015</u>
Authority's proportion of the net pension liability	0.2517%
Authority's proportionate share of the net pension liability	\$ 459,550
Authority's covered employee payroll	361,871
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.9%
Plan fiduciary net position as a percentage of total pension liability	67%

* Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information (unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years*

(Dollar amounts in thousands)

	2015
Authority's contractually required contribution	\$ 48,553
Authority's contributions in relation to the contractually required contribution	48,553
Contribution deficiency (excess)	\$ —
Authority's covered-employee payroll	\$ 361,871
Contributions as a percentage of covered-employee payroll	13%

Notes to Schedule

Valuation Date:

The January 1, 2014 actuarial valuation was rolled forward, in accordance with the parameters of GASB Statement No. 68, to December 31, 2014, the measurement date.

Methods and assumptions used to determine contribution rates:

Contribution rates are recommended by the System's independent actuary and are approved by PERAC in order to comply with the applicable funding statute (MGL Chapter 32 Section 22F)

* Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
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Required Supplementary Information (unaudited)
Schedule of Funding Progress – OPEB Benefits

<u>Actuarial valuation</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) – entry age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>UAAL as a percentage of covered payroll ((b-a)/(c))</u>
June 30, 2015	\$ 293,858	367,323	73,465	80.0%	\$ 472,991	15.5%
June 30, 2014	168,517	447,667	279,150	37.6	459,215	60.8
June 30, 2013	—	403,896	403,896	—	406,000	99.5
June 30, 2012	—	382,689	382,689	—	400,000	95.7

See accompanying independent auditors' report.

Schedule 1

BROCKTON AREA TRANSIT AUTHORITY
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Supplemental Schedule of Net Cost of Service

Year ended June 30, 2015

	Total urbanized area service
Operating costs:	
Operating and administrative costs (excluding depreciation)	\$ 979,205
Purchased services:	
Fixed route	10,217,021
Demand response	3,838,311
Debt service – interest expense	35,580
Total operating costs	<u>15,070,117</u>
Federal operating assistance:	
Federal Transportation Administration operating and administrative	1,120,379
Other federal	285,690
Total federal operating assistance	<u>1,406,069</u>
Revenues:	
Operating:	
Farebox revenue	2,749,840
Service and other third-party reimbursements	1,115,865
Other revenue:	
Advertising	149,238
Facility and parking income	117,189
Interest income	7,002
Miscellaneous	51,539
Total revenues	<u>4,190,673</u>
Net operating deficit	9,473,375
Adjustments:	
Extraordinary expenses	22,417
Miscellaneous	8,904
Net cost of service	<u>9,504,696</u>
Net cost of service funding:	
Local assessments	2,691,909
State contract assistance	6,812,787
Subtotal state contract assistance to be funded	<u>—</u>
Balance requested from the State on June 30, 2015	<u><u>\$ —</u></u>

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
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Supplemental Schedule of Net Cost of Service – Calculation Worksheet
Year ended June 30, 2015

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	\$ 14,633,912
	Allowable percentage increase	2.5%
	Prior year net operating expense times 2.5%	\$ 365,848
	Current year allowable net operating expense	\$ 14,999,760
B.	Extraordinary expenses	22,417
	Prior year local assessment	2,691,908
	Percentage of extraordinary to prior year local assessment (not to exceed 3%)	0.83%
C.	Aggregate amount of reserve account at June 30	\$ 538,381
	Prior year local assessment	2,691,908
	Percentage of reserve account to prior year local assessment (not to exceed 20%)	20%
D.	State the management fee paid to major service providers as a percentage of operating costs incurred	1.28%
E.	State the percentage of benefits paid by BAT on behalf of BAT employees for:	
	Group life and accidental death insurance	100%
	Group health insurance	75
F.	State the brokerage service contracts' costs as a percentage of total operating costs	—
G.	Stabilization fund:	
	Current year	\$ —
	Aggregate balance	193,219

See accompanying independent auditors' report.