



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

Financial Statements, Required Supplementary Information, and
Supplemental Schedules

June 30, 2008

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

The Advisory Board
Brockton Area Transit Authority:

We have audited the accompanying statement of net assets of the Brockton Area Transit Authority (a component unit of the Commonwealth of Massachusetts) as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Brockton Area Transit Authority's (the Authority) management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2008, and the changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 and the schedule of funding progress – pension benefits on page 16 are not required parts of the financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on them.



Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The supplemental schedules on pages 17 and 18 are presented for purposes of additional analysis and are not required parts of the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

September 26, 2008

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Required Supplementary Information

Management's Discussion and Analysis

June 30, 2008

(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, 2008. Please read this discussion and analysis in conjunction with the Authority's financial statements, which begin on page 6.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$17,539,782.
- The Authority's total net assets increased by \$1,110,321 mainly due to capital program receipts exceeding depreciation expense of \$1,865,719.
- The Authority's expenses, except for depreciation, are funded annually through a combination of federal, state, and local assistance.

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- and long-term financial information about the business-type activities of the Authority.

The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 through 15 of the report.

Condensed Financial Information

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 9,010,908	8,490,171
Noncurrent and capital assets, net	<u>18,411,128</u>	<u>17,318,821</u>
Total assets	<u>27,422,036</u>	<u>25,808,992</u>
Current liabilities	1,882,254	1,879,531
Long-term liabilities	<u>8,000,000</u>	<u>7,500,000</u>
Total liabilities	<u>9,882,254</u>	<u>9,379,531</u>
Net assets:		
Invested in capital assets, net of related debt	17,858,585	16,773,806
Unrestricted	<u>(318,803)</u>	<u>(344,345)</u>
Total net assets	\$ <u><u>17,539,782</u></u>	<u><u>16,429,461</u></u>

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Management's Discussion and Analysis

June 30, 2008

(Unaudited)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Passenger fares	\$ 2,828,000	2,814,762
Other operating revenues	295,845	246,199
Total operating revenues	<u>3,123,845</u>	<u>3,060,961</u>
Operating expenses:		
Transportation services	9,182,393	8,914,986
Other operating expenses	3,386,788	3,166,392
Total operating expenses, excluding depreciation	<u>12,569,181</u>	<u>12,081,378</u>
Depreciation	1,865,719	1,907,535
Total operating expenses, including depreciation	<u>14,434,900</u>	<u>13,988,913</u>
Operating loss	<u>(11,311,055)</u>	<u>(10,927,952)</u>
Net operating revenue (expenses):		
Contract assistance and local assessments	9,605,830	9,241,812
Other	(129,247)	(201,393)
Total nonoperating revenues	<u>9,476,583</u>	<u>9,040,419</u>
Loss before capital grants	(1,834,472)	(1,887,533)
Capital grants	2,944,793	930,843
Increase (decrease) in net assets	1,110,321	(956,690)
Beginning net assets	16,429,461	17,386,151
Ending net assets	<u>\$ 17,539,782</u>	<u>16,429,461</u>

The Authority's net assets consist primarily of its net investment in capital assets (e.g., land, buildings, and equipment). The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are 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.

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

- Total operating expenses, excluding depreciation, increased overall by \$487,803 as a result of normal inflation costs and an unexpected rise in fuel costs.
- Interest expense increased by \$40,372, or 14.2%, due to an increase in the borrowing rate. Actual debt increased by \$500,000 from June 30, 2007.

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(Unaudited)

- The insurance program increased by \$69,289, or 8.4%, due to ongoing fleet replacement in the current year.
- Federal contract assistance increased by \$145,000, or 7.0%, as a result of an increase in federal operating assistance compared with last fiscal year.
- Revenues from assessments from member municipalities increased by \$51,502, or 2.5%, as a result of the statutorily allowed annual 2.5% increase.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2008 and 2007 amounted to \$17,896,077 and \$16,803,770, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, office, and other equipment.

Capital asset additions during the fiscal years included the following:

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$ 277,809	27,864
Equipment	2,618,465	215,334
Buses and fareboxes	61,752	740,820
	<u>\$ 2,958,026</u>	<u>984,018</u>

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. Capital asset additions increased by \$1,974,008, or 200%, which was due to ongoing bus fleet replacement. This increase in capital spending also drove the increase in capital grants revenue of \$2,013,950. Further, capital related receivables and payables also increased from the prior fiscal year due to the increase in capital spending.

At year-end, the Authority had \$8,000,000 of notes outstanding, an increase of 6.7% over last year.

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 (71%) on contract assistance from the Commonwealth of Massachusetts. This contract assistance is funded a year in arrears by the state (the Authority's fiscal 2008 assistance will be funded through assessments to member municipalities). Annually, these assessments may increase in the aggregate by no more than 2.5% plus the members' share of any new services.

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.

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Statement of Net Assets

June 30, 2008

Assets

Current assets:

Cash and cash equivalents (note 6)	\$ 1,120,617
Receivables for operating assistance:	
Commonwealth of Massachusetts and cities and towns	7,414,013
United States Department of Transportation	38,000
Receivables for capital grants:	
Commonwealth of Massachusetts	173,842
United States Department of Transportation	14,786
Other accounts receivable, net	202,016
Other current assets	47,634
Total current assets	<u>9,010,908</u>

Noncurrent assets:

Capital assets (note 8):

Land	863,587
Transfer center and maintenance facility	14,925,057
Buses and fareboxes	17,717,666
Equipment	3,106,338
Less accumulated depreciation	<u>(18,716,571)</u>
Total capital assets, net	17,896,077

Receivable from cities and towns

515,051

Total noncurrent assets, net

18,411,128

Total assets

27,422,036

Liabilities

Current liabilities:

Accounts payable and accrued expenses	334,697
Due to operators (note 5)	762,506
Accrued interest	292,964
Deferred revenue	363,725
Accrued self-insurance (note 9)	<u>128,362</u>
Total current liabilities	1,882,254

Long-term liabilities:

Revenue anticipation notes payable (note 3)	<u>8,000,000</u>
Total liabilities	<u>9,882,254</u>

Net Assets

Invested in capital assets, net of related debt	17,858,585
Unrestricted	(318,803)
Commitments and contingencies (notes 9 and 11)	
Total net assets	<u>\$ 17,539,782</u>

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
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Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2008

Operating revenues:	
Passenger fares	\$ 2,828,000
Reimbursement of maintenance	75,850
Facility and parking income	80,088
Advertising	103,436
Miscellaneous	36,471
Total operating revenues	<u>3,123,845</u>
Operating expenses:	
Transportation services	9,182,393
Materials, supplies, and maintenance	1,617,125
Insurance	890,468
Professional and management services	335,830
Marketing and advertising	27,363
Administrative and general	516,002
Total operating expenses, excluding depreciation	<u>12,569,181</u>
Depreciation	<u>1,865,719</u>
Total operating expenses, including depreciation	<u>14,434,900</u>
Operating loss	<u>(11,311,055)</u>
Nonoperating revenues (expenses):	
Local assessments	2,111,722
Contract assistance (note 4):	
Federal	2,220,000
Commonwealth of Massachusetts	5,274,108
Interest income	96,699
Interest expense	(324,816)
Miscellaneous expenses	98,870
Total nonoperating revenues	<u>9,476,583</u>
Loss before capital grants	<u>(1,834,472)</u>
Capital program:	
Federal grants	1,981,834
Commonwealth of Massachusetts grant	962,959
Total capital grants	<u>2,944,793</u>
Increase in net assets	<u>1,110,321</u>
Net assets, beginning of year	<u>16,429,461</u>
Net assets, end of year	<u>\$ 17,539,782</u>

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Passenger fares	\$ 2,825,516
Other cash receipts	295,845
Payments to operators	(9,488,500)
Payments to other vendors	(3,059,371)
Net cash used in operating activities	<u>(9,426,510)</u>
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	8,000,000
Principal paid on revenue anticipation notes	(7,500,000)
Contract assistance	9,308,063
Interest paid on revenue anticipation notes	(290,950)
Net cash provided by noncapital financing activities	<u>9,517,113</u>
Cash flows from capital and related financing activities:	
Receipt from capital grants	2,756,426
Purchase of capital assets	(2,950,498)
Net cash used in capital and related financing activities	<u>(194,072)</u>
Cash flows from investing activity:	
Interest income	96,699
Net cash provided by investing activity	<u>96,699</u>
Net increase in cash and cash equivalents	(6,770)
Cash and cash equivalents, beginning of year	<u>1,127,387</u>
Cash and cash equivalents, end of year	<u>\$ 1,120,617</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (11,311,055)
Adjustments:	
Depreciation	1,865,719
Changes in assets and liabilities:	
Other accounts receivable and other current assets	(85,581)
Payables and accrued expenses	(15,808)
Due to operators	117,731
Deferred revenue	2,484
Net cash used in operating activities	<u>\$ (9,426,510)</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2008

(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

(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*, 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 Commonwealth, and its financial statements are incorporated into the financial statements of the Commonwealth.

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.

The Authority has adopted the option to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(b) Capital Assets

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the economic useful life of thirty years for the transfer center and maintenance facility, five to

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June 30, 2008

twelve years for buses, twelve years for fareboxes, and five to ten years for equipment. The Authority has had no assets donated to it.

(c) *Deferred Revenue*

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

(d) *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) *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.

(h) *New Accounting Standards*

For fiscal year 2008, the Authority is subject to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Authority has assessed the applicability of this new standard and has determined that this standard is currently not applicable as post employment benefits other than pensions are not offered to the Authority's employees.

For fiscal year 2008, the Authority has implemented GASB Statement No. 50, *Pension Disclosures*. See footnote 10 for more detailed information.

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Notes to Financial Statements

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(3) Notes Payable

At June 30, 2008, the Authority had \$8,000,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average interest rate of 3.99% and are due August 6, 2008.

	Outstanding at June 30, 2007	Issued	Retired	Outstanding at June 30, 2008
3.89% revenue anticipation note	\$ 7,500,000	—	7,500,000	—
3.99% revenue anticipation note	—	8,000,000	—	8,000,000
Total	<u>\$ 7,500,000</u>	<u>8,000,000</u>	<u>7,500,000</u>	<u>8,000,000</u>

Subsequent to year-end, the Authority retired \$8,000,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of \$8,900,000 of revenue anticipation notes with an interest rate of 2.19%, and is due August 6, 2009.

(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 2008 amounted to \$2,050,000. The Authority expects to receive approximately the same amount in operating assistance for fiscal 2009.

In addition, for the year ended June 30, 2008, the Authority recognized \$170,000 of federal assistance for the Jobs Access Reverse Commute Program.

The Commonwealth of Massachusetts provides for operating assistance to cover a portion of the Authority's net cost of service. The assistance for fiscal year 2008 is expected to be \$5,274,108, or 3.3%, over the prior year.

(5) Due to Operators

The balance at June 30, 2008 of \$762,506 includes fuel, parts, and supplies inventories purchased by the operators for use in the Authority's buses and is stated at lower of cost or market.

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(6) Cash and Cash Equivalents

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

(a) 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, as well as uninsured deposits. As of June 30, 2008, the bank balances of uninsured deposits total \$757,086.

(b) 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.

(c) Interest Rate Risk

As of June 30, 2008, the Authority's only investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment was \$326,886, and its average maturity is less than one year.

(d) Credit Risk

As of June 30, 2008, the Authority's investment in the state investment pool, MMDT, was not rated.

(7) Deferred 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 \$294,511 (which represents 13.95% of the applicable local assessment of \$2,111,722) is included in deferred revenue in the accompanying statement of net assets. During the year ended June 30, 2008, the Authority reduced the reserve by \$70,688.

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 \$63,219, which is included in deferred revenue in the accompanying statement of net assets. During the year ended June 30, 2008, the Authority reduced the stabilization fund by \$28,182. Although the Authority was within budget, it received less than requested in State Contract Assistance for the prior fiscal year.

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(8) Capital Assets

Capital assets consisted of the following at June 30, 2008:

	Beginning balance	Increases	Decreases	Ending balance
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	14,647,248	277,809	—	14,925,057
Buses and fareboxes	16,855,992	2,618,465	1,756,791	17,717,666
Equipment	<u>3,047,086</u>	<u>61,752</u>	<u>2,500</u>	<u>3,106,338</u>
Total capital assets being depreciated	<u>34,550,326</u>	<u>2,958,026</u>	<u>1,759,291</u>	<u>35,749,061</u>
Less accumulated depreciation for:				
Transfer center and maintenance facility	5,285,398	486,849	—	5,772,247
Buses and fareboxes	10,892,444	1,162,854	1,756,791	10,298,507
Equipment	<u>2,432,301</u>	<u>216,016</u>	<u>2,500</u>	<u>2,645,817</u>
Total accumulated depreciation	<u>18,610,143</u>	<u>1,865,719</u>	<u>1,759,291</u>	<u>18,716,571</u>
Total capital assets being depreciated, net	<u>15,940,183</u>	<u>1,092,307</u>	<u>—</u>	<u>17,032,490</u>
Capital assets, net	<u>\$ 16,803,770</u>	<u>1,092,307</u>	<u>—</u>	<u>17,896,077</u>

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(9) Accrued Self-Insurance

Since July 1, 1999, the Authority has obtained an insurance policy that does not require self-insurance retention. However, the Authority maintains an insurance reserve on its fleet of vans and buses for property damage and personal liability for any incident that occurred prior to July 1, 1999, exceeding \$25,000 up to a maximum of \$200,000 in any policy year. Based on claims data provided by the insurance carrier and actual payouts associated with each policy year, the Authority maintains a reserve for claims filed which may be paid out in future years. Changes in the insurance reserve liability for the years ended June 30, 2008 and 2007 were as follows:

Balance at June 30, 2006	\$ 178,362
Provision for loss/change in estimate	—
Payments for claims/change in estimate	<u>(25,000)</u>
Balance at June 30, 2007	153,362
Provision for loss/change in estimate	—
Payments for claims/change in estimate	<u>(25,000)</u>
Balance at June 30, 2008	<u><u>\$ 128,362</u></u>

(10) Pension Plan

The Authority terminated its supplemental retirement plan for career employees during fiscal 2008 and joined the Brockton Retirement System (the System) in January 2008. Upon termination of the Authority's supplemental retirement plan, the Authority made a lump-sum contribution to the System totaling \$264,995, representing the full amount of the terminated supplemental retirement plan.

The System is an agent, multiple-employer, public employee retirement system that acts as the investment and administrative agent for the City of Brockton, the Authority and other public employers within the City of Brockton. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is a member of the Massachusetts Contributory System, which is governed by Chapter 32 of the MGL. The System is overseen by an independent five-member board consisting of the following: Chairperson, City Auditor (Ex-Officio), Mayoral appointment, a member elected by the System members, and a member elected by the other board members.

A complete set of audited financial statements for the System for the fiscal year ended December 31, 2007 can be obtained from the System, 15 Christy's Drive, Suite 2, Brockton, MA 02301.

(a) Contributions

The Authority's employees, as Plan members, are required to contribute to the System depending on their employment date. Active members contribute 5%, 7%, 8%, or 9% of their regular gross compensation depending on the date upon which their membership began. Members hired after January 1, 1979 contribute an additional 2% of their regular compensation in excess of \$30,000 per year.

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The Authority is required to contribute an annual actuarially determined contribution to the System. For the year ended June 30, 2008, the Authority was not required to contribute to the System. The Authority's first actuarially required contribution will be in fiscal year 2009.

The contributions of the plan members and the participating employers are governed by Chapter 32 of the MGL.

(b) Funded Status

The funded status of the Authority's retirement plan as of January 1, 2008, the most recent actuarial valuation date, is as follows:

Actuarially accrued liability (AAL)	\$ 903,911
Actuarial value of plan assets	<u>264,995</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 638,916</u>
Funded ratio (actuarial value of plan assets/AAL)	29.3%
Covered payroll (active plan members)	\$ 349,807
UAAL as a percentage of covered payroll	182.6%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

In the January 1, 2008 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.00% investment rate of return, projected salary increases of 4.75%, and cost-of-living adjustments of 3.00% up to \$360 annually. The actuarial value of assets was determined using the fair value of investments. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2008 was 10 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 requires 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, 2008.

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

Schedule of Funding Progress – Pension Benefits

Required Supplementary Information

June 30, 2008

(Unaudited)

<u>Actuarial valuation</u>		<u>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>
January 1, 2008	\$	264,995	903,911	638,916	29.3%	\$	349,807	182.6%

See accompanying independent auditors' report.

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

Schedule 1

Supplemental Schedule of Net Cost of Service

Year ended June 30, 2008

	<u>Total urbanized area service</u>
Operating costs:	
Operating and administrative costs (excluding depreciation)	\$ 596,296
Purchased services:	
Fixed route	8,741,579
Demand response	3,231,307
Debt service – interest expense	324,816
Total operating costs	<u>12,893,998</u>
Federal operating assistance:	
Federal Transportation Administration operating and administrative	2,050,000
Other federal	170,000
Total federal operating assistance	<u>2,220,000</u>
Revenues:	
Operating:	
Farebox revenue	2,146,947
Service and other third-party reimbursements	756,903
Other revenue:	
Advertising	103,436
Facility and parking income	80,088
Interest income	96,699
Miscellaneous	107,156
Total revenues	<u>3,291,229</u>
Net operating deficit	7,382,769
Adjustments:	
Extraordinary expenses	3,064
Net cost of service	<u>7,385,833</u>
Net cost of service funding:	
Local assessments	2,111,722
State contract assistance to be funded	5,274,111
Less partial payment made by the Executive Office of Transportation after July 1, 2008	4,570,569
Balance requested from the State for FY 08	<u>\$ 703,542</u>

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Commonwealth of Massachusetts)
Supplemental Schedule of Net Cost of Service – Calculation Worksheet
Year ended June 30, 2008

Schedule 2

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	\$ 12,365,822
	Allowable percentage increase	2.5%
	Prior year net operating expense times 2.5%	309,146
	Current year allowable net operating expense	\$ 12,674,968
B.	Extraordinary expenses	\$ (70,685)
	Prior year local assessment	2,111,722
	Percentage of extraordinary to prior year local assessment (not to exceed 3%)	(3.35)%
C.	Aggregate amount of reserve account at June 30	\$ 294,514
	Prior year local assessment	2,111,722
	Percentage of reserve account to prior local assessment (not to exceed 20%)	13.95%
D.	State the management fee paid to major service providers as a percentage of operating costs incurred	1.45%
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	0.00%
G.	Stabilization fund:	
	Current year	\$ —
	Aggregate balance	63,219

See accompanying independent auditors' report.