



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

Financial Statements, Required Supplementary Information, and
Supplemental Schedules

June 30, 2013

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page(s)
Independent Auditors' Report	1 – 2
Required Supplementary Information:	
Management's Discussion and Analysis	3 – 7
Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11 – 17
Required Supplementary Information	
Schedule of Funding Progress – Pension Benefits	18
Schedule of Employers' Contributions	18
Supplemental Schedules	
1 Schedule of Net Cost of Service	19
2 Schedule of Net Cost of Service – Calculation Worksheet	20



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

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, 2013, 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 financial position of the Authority, as of June 30, 2013, and the change in net position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-7 and schedules of funding progress on page 18 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.

Supplementary Information

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

The 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 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 September 27, 2013 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

September 27, 2013

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

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2013

(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, 2013. Please read this discussion and analysis in conjunction with the Authority's financial statements, which begin on page 8.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$19,497,026.
- The Authority's total net position decreased by \$31,158 during fiscal year 2013 and increased by \$884,716 during fiscal year 2012. This decrease of \$915,874 from fiscal year 2012 is mainly due to a decrease in capital grant receipts pertaining to the decrease in capital purchases in fiscal year 2013.
- The Authority's operating expenses, less operating revenues and 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-term and long-term financial information about the business-type activities of the Authority.

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

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2013

(Unaudited)

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 11 through 17 of the report.

Condensed Financial Information

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 10,895,054	10,171,729
Noncurrent and capital assets, net	<u>20,920,242</u>	<u>23,416,815</u>
Total assets	<u>\$ 31,815,296</u>	<u>33,588,544</u>
Current liabilities	\$ 2,518,270	4,260,360
Long-term liabilities	<u>9,800,000</u>	<u>9,800,000</u>
Total liabilities	<u>\$ 12,318,270</u>	<u>14,060,360</u>
Net position:		
Net investment in capital assets	\$ 19,413,907	18,421,865
Unrestricted	<u>83,119</u>	<u>1,106,319</u>
Total net position	<u>\$ 19,497,026</u>	<u>19,528,184</u>

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

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2013

(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 68.61%) on contract assistance from the Commonwealth of Massachusetts. This contract assistance is funded more than one year in arrears by the state. The budgetary planned increase for state contract assistance is 3.39% for the Authority's fiscal year 2014. The Authority's fiscal 2013 local 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. The Authority hopes to benefit from continued lower costs through improved fuel efficiency with the replacement of the fixed route vehicles and enjoy the benefit of a lower interest rate environment during the Authority's fiscal year 2014. The Authority will also benefit in stabilized funding in fiscal year 2014 with planned increased funding in fiscal year 2015 due to the recently passed Commonwealth of Massachusetts Transportation Bill. The bill provided for an increase in funding to be used for stabilization and expansion of services within the region. The Authority will begin an extensive comprehensive transportation planning effort during fiscal year 2014 which is anticipated to be completed during fiscal year 2015.

New Pronouncements

In fiscal 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

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 Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2013

Operating revenues:	
Passenger fares	\$ 3,664,943
Reimbursement of maintenance	77,000
Facility and parking income	98,006
Advertising	100,069
Miscellaneous	44,477
Total operating revenues	<u>3,984,495</u>
Operating expenses:	
Transportation services	10,139,266
Materials, supplies, and maintenance	1,759,527
Insurance	791,339
Professional and management services	422,988
Marketing and advertising	16,376
Administrative and general	710,921
Total operating expenses, excluding depreciation	<u>13,840,417</u>
Depreciation	<u>2,389,391</u>
Total operating expenses, including depreciation	<u>16,229,808</u>
Operating loss	<u>(12,245,313)</u>
Nonoperating revenues (expenses):	
Local assessments	2,530,694
Contract assistance (note 4):	
Federal	1,871,164
Commonwealth of Massachusetts	5,531,227
Interest income	6,064
Interest expense	(83,228)
Total nonoperating revenues	<u>9,855,921</u>
Loss before capital grants	<u>(2,389,392)</u>
Extraordinary expense and stabilization fund	—
Capital grants:	
Federal grants	1,361,433
Commonwealth of Massachusetts grant	996,801
Total capital grants	<u>2,358,234</u>
Decrease in net position	<u>(31,158)</u>
Net position, beginning of year	<u>19,528,184</u>
Net position, end of year	<u>\$ 19,497,026</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2013

Cash flows from operating activities:	
Passenger fares	\$ 3,384,721
Other cash receipts	367,887
Payments to operators	(10,757,000)
Payments to other vendors	(3,268,522)
Net cash used in operating activities	<u>(10,272,914)</u>
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	9,800,000
Principal paid on revenue anticipation notes	(9,800,000)
Contract assistance	10,459,257
Interest paid on revenue anticipation notes	(127,266)
Net cash provided by noncapital financing activities	<u>10,331,991</u>
Cash flows from capital and related financing activities:	
Receipt from capital grants	3,553,514
Purchase of capital assets	(3,381,433)
Proceeds from sale of fixed assets	37,176
Net cash provided by capital and related financing activities	<u>209,257</u>
Cash flows from investing activity:	
Interest income	6,064
Net cash provided by investing activity	<u>6,064</u>
Net increase in cash and cash equivalents	274,398
Cash and cash equivalents, beginning of year	<u>1,295,601</u>
Cash and cash equivalents, end of year	<u>\$ 1,569,999</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (12,245,313)
Adjustments:	
Depreciation	2,389,391
Gain on sale of fixed assets	(37,176)
Changes in assets and liabilities:	
Other accounts receivable and other current assets	85,511
Payables and accrued expenses	(214,819)
Due to operators	29,714
Deferred revenue	(280,222)
Net cash used in operating activities	<u>\$ (10,272,914)</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, 2013

(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

(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.

In fiscal 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

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

Notes to Financial Statements

June 30, 2013

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

(c) Unearned 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.

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

Notes to Financial Statements

June 30, 2013

(3) Notes Payable

At June 30, 2013, the Authority had \$9,800,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 0.7105% and are due August 2, 2013.

	Outstanding at June 30, 2012	Issued	Retired	Outstanding at June 30, 2013
1.095% revenue anticipation note	\$ 9,800,000	—	9,800,000	—
0.7125% revenue anticipation note	—	9,800,000	—	9,800,000
Total	<u>\$ 9,800,000</u>	<u>9,800,000</u>	<u>9,800,000</u>	<u>9,800,000</u>

Subsequent to year-end, the Authority retired \$9,800,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of \$9,800,000 of revenue anticipation notes with a weighted average net interest cost of 0.6048%, and is due August 1, 2014.

(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 2013 amounted to \$1,680,294.

In addition, for the year ended June 30, 2013, the Authority recognized \$160,145 of federal assistance for the Jobs Access Reverse Commute Program and the Authority recognized \$106,359 of federal assistance for the Jobs Access Reverse Commute/New Freedoms Program for new service provided.

The Commonwealth of Massachusetts provides for operating assistance to cover a portion of the Authority's net cost of service. The assistance in fiscal year 2013 included one time funding of \$292,282 as provided by Session Law: Chpt. 132 of the Acts of 2012.

(5) Due to Operators

The balance at June 30, 2013 of \$963,132 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.

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

Notes to Financial Statements

June 30, 2013

(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.

(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, 2013, the Authority's only investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment was \$1,084,446, and its average maturity is less than one year.

(d) Credit Risk

As of June 30, 2013, the Authority's investment in the state investment pool, MMDT, was not rated.

(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 \$438,173 (which represents approximately 17.31% of the applicable local assessment of \$2,530,694) is included in deferred revenue in the accompanying statement of net assets.

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 assets.

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

Notes to Financial Statements

June 30, 2013

(8) Capital Assets

Capital assets consisted of the following at June 30, 2013:

	<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	15,267,112	602,727	86,853	15,782,986
Buses and fareboxes	22,769,268	1,169,084	1,781,038	22,157,314
Equipment	4,095,369	509,145	57,161	4,547,353
Total capital assets being depreciated	<u>42,131,749</u>	<u>2,280,956</u>	<u>1,925,052</u>	<u>42,487,653</u>
Less accumulated depreciation for:				
Transfer center and maintenance facility	7,896,352	571,795	86,853	8,381,294
Buses and fareboxes	11,741,239	1,572,736	1,648,790	11,665,185
Equipment	3,271,452	244,860	57,161	3,459,151
Total accumulated depreciation	<u>22,909,043</u>	<u>2,389,391</u>	<u>1,792,804</u>	<u>23,505,630</u>
Total capital assets being depreciated, net	<u>19,222,706</u>	<u>(108,435)</u>	<u>132,248</u>	<u>18,982,023</u>
Capital assets, net	<u>\$ 20,086,293</u>	<u>(108,435)</u>	<u>132,248</u>	<u>19,845,610</u>

(9) Pension Plan

The Authority is a participant in the Brockton Contributory Retirement System (the System). 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.

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

Notes to Financial Statements

June 30, 2013

A complete set of audited financial statements for the System for the fiscal year ended December 31, 2012 can be obtained from the Brockton Retirement Board, 15 Christy's Drive, Suite 2, Brockton, MA 02301.

(a) Contributions

The Authority's employees 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.

The Authority is required to contribute an annual actuarially determined contribution to the System. The Authority's actuarially required contribution of \$53,411 was paid in fiscal year 2013.

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, 2013, the most recent actuarial valuation date, is as follows:

Actuarially accrued liability (AAL)	\$ 1,454,530
Actuarial value of plan assets	<u>853,777</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 600,753</u>
Funded ratio (actuarial value of plan assets/AAL)	58.7%
Covered payroll (active plan members)	\$ 384,223

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, 2013 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 3.75%, and cost-of-living adjustments of 3.00% of the lesser of the pension amount and \$12,000 per year. The actuarial value of assets was determined using the fair value of investments. The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return. 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, 2013 was 17 years.

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

Notes to Financial Statements

June 30, 2013

(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. The net OPEB obligation as of June 30, 2013 is \$66,478, which is recorded in accounts payable and accrued expenses in the statement of net position.

(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, 2013.

(12) 801 CMR 53.03(2) Disclosure (Unaudited)

The Administrator (CEO), date of hire of July 7, 1980, compensation for fiscal year 2013 was \$128,678. The Administrator does not receive health insurance and was paid \$1,000 as provided to all employees who obtain health insurance elsewhere.

The Chief Financial Officer (CFO), date of hire of February 15, 1999, compensation for fiscal year 2013 was \$85,650. The CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

The General Counsel (GC), date of hire of January 21, 1978, compensation for fiscal year 2013 was \$64,020. The General Counsel does not receive health insurance and is a part-time position.

Advisory Board members and officers do not receive compensation.

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

Required Supplementary Information

June 30, 2013

(Unaudited)

Schedule of Funding Progress – Pension Benefits

Actuarial valuation	Assets (a)	Actuarial accrued liability (AAL) – entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/(c))
January 1, 2013	\$ 853,777	1,454,530	600,753	58.7%	\$ 384,223	156.4%
January 1, 2010	573,933	1,128,693	554,760	50.8%	362,141	153.2%
January 1, 2008	264,995	903,911	638,916	29.3%	349,807	182.6%

Schedule of Employers' Contributions

	Annual required contribution	Percentage contributed
Fiscal year ended June 30:		
2013	\$ 53,411	100.0%
2012	50,578	100.0%
2011	83,384	100.0%
2010	83,217	100.0%
2009	84,939	147.1%

See accompanying independent auditors' report.

Schedule 1

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

Supplemental Schedule of Net Cost of Service

Year ended June 30, 2013

	<u>Total urbanized area service</u>
Operating costs:	
Operating and administrative costs (excluding depreciation)	\$ 776,416
Purchased services:	
Fixed route	9,565,213
Demand response	3,498,788
Debt service – interest expense	<u>83,228</u>
Total operating costs	<u>13,923,645</u>
Federal operating assistance:	
Federal Transportation Administration operating and administrative	1,604,660
Other federal	<u>266,504</u>
Total federal operating assistance	<u>1,871,164</u>
Revenues:	
Operating:	
Farebox revenue	2,716,769
Service and other third-party reimbursements	1,025,174
Other revenue:	
Advertising	100,069
Facility and parking income	98,006
Interest income	6,064
Miscellaneous	<u>44,477</u>
Total revenues	<u>3,990,559</u>
Net operating deficit	8,061,922
Net cost of service funding:	
Local assessments	<u>2,530,694</u>
Subtotal state contract assistance to be funded	5,531,228
Less Chpt. 132 of the Acts of 2012 payment by MassDOT October 5, 2012	<u>292,282</u>
State contract assistance to be funded	5,238,946
Less partial payment made by MassDOT after June 30, 2013:	
Partial payment August 19, 2013	<u>4,976,998</u>
Balance requested from the State on June 30, 2013	\$ <u><u>261,948</u></u>

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
 (A Component Unit of the Massachusetts Department of Transportation)
 Supplemental Schedule of Net Cost of Service – Calculation Worksheet
 Year ended June 30, 2013

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	\$ 13,762,521
	Allowable percentage increase	<u>2.5%</u>
	Prior year net operating expense times 2.5%	<u>344,063</u>
	Current year allowable net operating expense	<u>\$ 14,106,584</u>
B.	Extraordinary expenses	\$ —
	Prior year local assessment	<u>2,530,694</u>
	Percentage of extraordinary to prior year local assessment (not to exceed 3%)	<u>—%</u>
C.	Aggregate amount of reserve account at June 30	\$ 438,173
	Prior year local assessment	<u>2,530,694</u>
	Percentage of reserve account to prior local assessment (not to exceed 20%)	<u>17.31%</u>
D.	State the management fee paid to major service providers as a percentage of operating costs incurred	1.34%
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.