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

Financial Statements, Required Supplementary Information, and Supplemental Schedules

June 30, 2014

(With Independent Auditors' Report Thereon)

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

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**KPMG LLP**
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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, 2014, 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, 2014, and the change in net position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

### *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 19 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 30, 2014 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 30, 2014

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, 2014. 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 $21,256,982.
- The Authority's total net position increased by $1,759,956 during fiscal year 2014 and decreased by $31,158 during fiscal year 2013. This increase of $1,759,956 from fiscal year 2013 is mainly due to a combination of contract assistance, local assessments, and capital grants.
- 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 cash and cash equivalents increased by approximately $5,300,000 and the Commonwealth of Massachusetts receivable for operating assistance decreased by approximately the same amount when comparing balances as of June 30, 2014 to June 30, 2013. The Commonwealth of Massachusetts changed its method of cash reimbursement for operating assistance from paying in arrears to forward funding. This change will speed up cash flow to the Authority and will decrease future borrowings in its Revenue Anticipation Notes.

## 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.


(Continued)

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 18 of the report.

## Condensed Financial Information

| | | 2014 | 2013 |
|---|---|---|---|
| Current and other assets | $ | 11,149,474 | 10,895,054 |
| Noncurrent and capital assets, net | | 22,268,890 | 20,920,242 |
| Total assets | $ | 33,418,364 | 31,815,296 |
| Current liabilities | $ | 2,361,382 | 2,518,270 |
| Long-term liabilities | | 9,800,000 | 9,800,000 |
| Total liabilities | $ | 12,161,382 | 12,318,270 |
| Net position: | | | |
| Net investment in capital assets | $ | 21,233,617 | 19,413,907 |
| Unrestricted | | 23,365 | 83,119 |
| Total net position | $ | 21,256,982 | 19,497,026 |

| | | 2014 | 2013 |
|---|---|---|---|
| Operating revenues: | | | |
| Passenger fares | $ | 3,744,032 | 3,664,943 |
| Other operating revenues | | 359,395 | 319,552 |
| Total operating revenues | | 4,103,427 | 3,984,495 |
| Operating expenses: | | | |
| Transportation services | | 10,607,373 | 10,139,266 |
| Other operating expenses | | 3,954,830 | 3,701,151 |
| Total operating expenses, excluding depreciation | | 14,562,203 | 13,840,417 |
| Depreciation | | 2,826,835 | 2,389,391 |
| Total operating expenses, including depreciation | | 17,389,038 | 16,229,808 |
| Operating loss | | (13,285,611) | (12,245,313) |
| Nonoperating revenues (expenses): | | | |
| Contract assistance and local assessments | | 10,601,029 | 9,933,085 |
| Other | | (64,460) | (77,164) |
| Total nonoperating revenues | | 10,536,569 | 9,855,921 |



(Continued)

| | | 2014 | 2013 |
|---|---|---|---|
| Loss before extraordinary expense and stabilization fund and capital grants | $ | (2,749,042) | (2,389,392) |
| Extraordinary expense and stabilization fund | | (77,791) | — |
| Capital grants | | 4,586,789 | 2,358,234 |
| Increase (decrease) in net position | | 1,759,956 | (31,158) |
| Beginning net position | | 19,497,026 | 19,528,184 |
| Ending net position | $ | 21,256,982 | 19,497,026 |

The Authority's net position consists 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, 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.

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

- Total operating expenses, excluding depreciation, increased overall by $721,786, or approximately 5.2%, as a result of contractual increases in labor and health insurance, fuel costs, pension plan expenses, and general operating costs.
- Interest expense decreased by $11,519, or approximately 13.8%, largely due to market conditions. Actual debt outstanding remained constant between years.
- Federal assistance accessed by the Authority was approximately 119.6% of the previous fiscal year's level. The $365,918 increase was largely due to the Authority having received one-time funding of $292,282 from the Commonwealth of Massachusetts per Session Law: Chpt. 132 of the Acts of 2012 in fiscal year 2013, which resulted in less federal assistance in fiscal year 2013.
- Revenues from assessments from member municipalities increased by $62,336, or approximately 2.5%, as a result of the statutorily allowed annual 2.5% increase plus the members share of new service.
- State assistance increased by $239,690, or approximately 4.3% as a result of the transportation finance bill.

**Capital Assets and Debt**

The Authority's capital assets as of June 30, 2014 and 2013 amounted to $21,532,997 and $19,845,610, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, transportation equipment, office, and other equipment.



(Continued)

Capital asset additions during the fiscal years included the following:

| | | 2014 | 2013 |
|---|---|---|---|
| Building and improvements | $ | 89,801 | 602,727 |
| Equipment | | 694,669 | 509,145 |
| Buses and fareboxes | | 3,814,062 | 1,169,084 |
| | $ | 4,598,532 | 2,280,956 |

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. Capital asset additions increased by $2,317,576 which was due to the Authority acquiring five fixed route vehicles and mid-life vehicle overhauls.

At year-end, the Authority had $9,800,000 of Revenue Anticipation notes outstanding.

**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 69.0%) on contract assistance from the Commonwealth of Massachusetts. The budgetary planned increase for state contract assistance is 18.05% for the Authority's fiscal year 2015. This funding increase is the result of the Commonwealths' Transportation Finance Bill and the Administration's efforts related to the "Way Forward Plan" which created an environment of stable and increased funding for regional transit authorities and the Authority for FY2015. The Authority anticipates an improvement in its cash flows due to forward funding efforts of the state's contract assistance and monthly reimbursements of prior years' local assessments from member communities. The improvements made through the Transportation Finance Bill will reduce the amount of Revenue Anticipation Notes (RANs) that need to be issued on an annual basis. The Authority will still need to issue RANs 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. Improvements to the Commonwealth's transportation system is partially reliant on the planned increase in the state's gas tax which can increase with inflation. There is an attempt through a ballot question to be voted upon in November 2014 to repeal future automatic inflationary increases in the gas tax. A repeal of this measure may cause a decrease in the Commonwealth's funding for transportation improvements which may have a negative impact on the Authority. The Transportation Finance Bill also 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 Authority is presently working with various stakeholders to complete this project during calendar year 2015. The plan will identify gaps in service, potential alteration to existing levels of service and look to future revenue strategies. BAT is planning to increase service slightly during fiscal year 2015 for both fixed route and paratransit modes of operation due to increased public demand and availability of funding.


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## New Pronouncements

There were no new accounting pronouncements implemented by the Authority in fiscal 2014.

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 Net Position

June 30, 2014

| | | |
|---|---|---|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents (note 6) | $ | 6,838,725 |
| Receivables for operating assistance: | | |
| Commonwealth of Massachusetts and cities and towns | | 2,523,789 |
| United States Department of Transportation | | 835,802 |
| Receivables for capital grants: | | |
| Commonwealth of Massachusetts | | 166,487 |
| United States Department of Transportation | | 371,469 |
| Other accounts receivable, net | | 210,828 |
| Other current assets | | 202,374 |
| Total current assets | | 11,149,474 |
| Noncurrent assets: | | |
| Capital assets (note 8): | | |
| Land | | 863,587 |
| Transfer center and maintenance facility | | 15,872,787 |
| Buses and fareboxes Support vehicles | | 23,885,085 |
| Equipment | | 5,118,718 |
| Less accumulated depreciation | | (24,207,180) |
| Total capital assets, net | | 21,532,997 |
| Receivable from cities and towns | | 735,893 |
| Total noncurrent assets, net | | 22,268,890 |
| Total assets | | 33,418,364 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | | 658,655 |
| Due to operators (note 5) | | 903,584 |
| Accrued interest | | 77,900 |
| Unearned revenue (note 7) | | 721,243 |
| Total current liabilities | | 2,361,382 |
| Long-term liabilities: | | |
| Revenue anticipation notes payable (note 3) | | 9,800,000 |
| Total liabilities | | 12,161,382 |
| Net position: | | |
| Net investment in capital assets | | 21,233,617 |
| Unrestricted | | 23,365 |
| Commitments and contingencies (note 11) | | |
| Total net position | $ | 21,256,982 |

See accompanying notes to financial statements.

**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, 2014

| | |
|---|---|
| Operating revenues: | |
| Passenger fares | $ 3,744,032 |
| Reimbursement of maintenance | 77,000 |
| Facility and parking income | 111,832 |
| Advertising | 111,367 |
| Miscellaneous | 59,196 |
| Total operating revenues | 4,103,427 |
| Operating expenses: | |
| Transportation services | 10,607,373 |
| Materials, supplies, and maintenance | 1,878,163 |
| Insurance | 803,648 |
| Professional and management services | 423,440 |
| Marketing and advertising | 12,135 |
| Administrative and general | 837,444 |
| Total operating expenses, excluding depreciation | 14,562,203 |
| Depreciation | 2,826,835 |
| Total operating expenses, including depreciation | 17,389,038 |
| Operating loss | (13,285,611) |
| Nonoperating revenues (expenses): | |
| Local assessments | 2,593,030 |
| Contract assistance (note 4): | |
| Federal | 2,237,082 |
| Commonwealth of Massachusetts | 5,770,917 |
| Interest income | 7,249 |
| Interest expense | (71,709) |
| Total nonoperating revenues | 10,536,569 |
| Loss before extraordinary expense and stabilization fund and capital grants | (2,749,042) |
| Extraordinary expense and stabilization fund | (77,791) |
| Capital grants: | |
| Federal grants | 3,879,691 |
| Commonwealth of Massachusetts grant | 707,098 |
| Total capital grants | 4,586,789 |
| Increase in net position | 1,759,956 |
| Net position, beginning of year | 19,497,026 |
| Net position, end of year | $ 21,256,982 |

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, 2014

| | |
|---|---|
| Cash flows from operating activities: | |
| Passenger fares | $ 3,744,032 |
| Other cash receipts | 288,764 |
| Payments to operators | (11,266,250) |
| Payments to other vendors | (3,387,465) |
| Net cash used in operating activities | (10,620,919) |
| 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 | 15,998,356 |
| Interest paid on revenue anticipation notes | (82,553) |
| Net cash provided by noncapital financing activities | 15,915,803 |
| Cash flows from capital and related financing activities: | |
| Receipt from capital grants | 4,581,523 |
| Purchase of capital assets | (4,646,545) |
| Proceeds from sale of fixed assets | 31,615 |
| Net used in capital and related financing activities | (33,407) |
| Cash flows from investing activity: | |
| Interest income | 7,249 |
| Net cash provided by investing activity | 7,249 |
| Net increase in cash and cash equivalents | 5,268,726 |
| Cash and cash equivalents, beginning of year | 1,569,999 |
| Cash and cash equivalents, end of year | $ 6,838,725 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | $ (13,285,611) |
| Adjustments: | |
| Depreciation | 2,826,835 |
| Gain on sale of fixed assets | (31,615) |
| Changes in assets and liabilities: | |
| Other accounts receivable and other current assets | (39,016) |
| Payables and accrued expenses | (31,964) |
| Due to operators | (59,548) |
| Net cash used in operating activities | $ (10,620,919) |

See accompanying notes to financial statements.

## (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:

| Town | Date of membership |
|---|---|
| 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 criterion, 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.

### *(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,


(Continued)

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 in fiscal year 2014.

***(c) Unearned Revenue***

Unearned 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.

## (3) Notes Payable

At June 30, 2014, the Authority had $9,800,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 0.6065% and are due August 1, 2014.

| | | Outstanding at June 30, 2013 | Issued | Retired | Outstanding at June 30, 2014 |
|---|---|---|---|---|---|
| 0.7125% revenue anticipation note | $ | 9,800,000 | — | 9,800,000 | — |
| 0.6065% revenue anticipation note | | — | 9,800,000 | — | 9,800,000 |
| Total | $ | 9,800,000 | 9,800,000 | 9,800,000 | 9,800,000 |

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 $5,880,000 of revenue anticipation notes with a weighted average net interest cost of 0.4210%, and is due August 5, 2015.

## (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 2014 amounted to $1,970,654.

In addition, for the year ended June 30, 2014, the Authority recognized $161,005 of federal assistance for the Jobs Access Reverse Commute Program and the Authority recognized $105,423 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 2014 of $5,770,917 included one-time funding of $52,243.

## (5) Due to Operators

The balance at June 30, 2014 of $903,584 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) 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, 2014, the Authority's only investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment was $6,687,969, and its average maturity is less than one year.

### *(d) Credit Risk*

As of June 30, 2014, 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 $515,964 (which represents approximately 19.90% of the applicable local assessment of $2,593,030) is included in unearned 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.

## (8) Capital Assets

Capital assets consisted of the following at June 30, 2014:

| | Beginning balance | Increases | Decreases | Ending balance |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 863,587 | — | — | 863,587 |
| Total capital assets not being depreciated | 863,587 | — | — | 863,587 |
| Capital assets being depreciated: | | | | |
| Transfer center and maintenance facility | 15,782,986 | 89,801 | — | 15,872,787 |
| Buses and fareboxes and trucks | 22,157,314 | 3,814,062 | 2,086,291 | 23,885,085 |
| Equipment | 4,547,353 | 694,669 | 123,304 | 5,118,718 |
| Total capital assets being depreciated | 42,487,653 | 4,598,532 | 2,209,595 | 44,876,590 |

| | | Beginning balance | Increases | Decreases | Ending balance |
|---|---|---|---|---|---|
| Less accumulated depreciation for: | | | | | |
| Transfer center and maintenance facility | $ | 8,381,294 | 606,748 | — | 8,988,042 |
| Buses and fareboxes and trucks | | 11,665,185 | 1,830,616 | 2,001,981 | 11,493,820 |
| Equipment | | 3,459,151 | 389,471 | 123,304 | 3,725,318 |
| Total accumulated depreciation | | 23,505,630 | 2,826,835 | 2,125,285 | 24,207,180 |
| Total capital assets being depreciated, net | | 18,982,023 | 1,771,697 | 84,310 | 20,669,410 |
| Capital assets, net | $ | 19,845,610 | 1,771,697 | 84,310 | 21,532,997 |

## (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.

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 $48,553 was paid in fiscal year 2014.

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 | | 853,777 |
| Unfunded actuarial accrued liability (UAAL) | $ | 600,753 |
| Funded ratio (actuarial value of plan assets/AAL) | | 58.7% |
| Covered payroll (active plan members) | $ | 384,233 |

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 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, 2014 was 16 years.

## (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 established the ARC for fiscal year 2014. 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. The following table shows the components of the Authority's annual OPEB cost for the years ended June 30, 2014, the amount actually contributed to the plan, and the change in the Authority's net OPEB obligation.

| | | |
|---|---|---|
| ARC | $ | 38,643 |
| Interest on net OPEB obligation | | 2,659 |
| Net amortization adjustment to ARC | | 737 |
| Annual OPEB cost | | 42,039 |
| Contributions made | | — |
| Change in net OPEB obligation | | 42,039 |
| Net OPEB obligation – beginning of year | | 66,478 |
| Net OPEB obligation – end of year | $ | 108,517 |

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| Fiscal year ended | | OPEB cost | OPEB cost contributed | | Net OPEB obligation |
|---|---|---|---|---|---|
| 2014 | $ | 42,039 | —% | $ | 108,517 |
| 2013 | | 32,781 | — | | 66,478 |
| 2012 | | 33,697 | — | | 33,697 |

### *(b) Funded Status and Funding Progress*

The funded status of the Authority's other postemployment benefit as of June 30, 2014, the most recent actuarial valuation date, is as follows:

| | | |
|---|---|---|
| Actuarial accrued liability (AAL) | $ | 447,667 |
| Actuarial value of plan assets | | 168,517 |
| Unfunded actuarial accrued liability (UAAL) | $ | 279,150 |
| Funded ratio (actuarial value of plan assets/AAL) | | 37.6% |
| Covered payroll (active plan members) | $ | 459,215 |
| UAAL as a percentage of covered payroll | | 60.8% |

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 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, 2014 was 27 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, 2014.

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

The Administrator (CEO), date of hire of July 7, 1980, compensation for fiscal year 2014 was $128,680. The Administrator did 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 2014 was $86,483. 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 2014 was $59,890. 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, 2014

(Unaudited)

**Pension Plan**

**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% | $ | 384,233 | 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: | | | |
| 2014 | $ | 48,553 | 100.0% |
| 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 |

**OPEB Plan**

**Schedule of Funding Progress – OPEB Benefits**

| Actuarial valuation | | Acturial value of 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)) |
|---|---|---|---|---|---|---|---|---|
| June 30, 2014 | $ | 168,517 | 447,667 | 279,150 | 37.6% | $ | 459,215 | 60.8% |
| June 30, 2013 | | — | 403,896 | 403,896 | 0.0% | | 406,000 | 99.5% |
| June 30, 2012 | | — | 382,689 | 382,689 | 0.0% | | 400,000 | 95.7% |

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, 2014

| | | **Total urbanized area service** |
|---|---|---|
| Operating costs: | | |
| Operating and administrative costs (excluding depreciation) | $ | 887,795 |
| Purchased services: | | |
| Fixed route | | 10,047,204 |
| Demand response | | 3,627,204 |
| Debt service – interest expense | | 71,709 |
| Total operating costs | | 14,633,912 |
| Federal operating assistance: | | |
| Federal Transportation Administration operating and administrative | | 1,970,653 |
| Other federal | | 266,427 |
| Total federal operating assistance | | 2,237,080 |
| Revenues: | | |
| Operating: | | |
| Farebox revenue | | 2,767,750 |
| Service and other third-party reimbursements | | 1,053,282 |
| Other revenue: | | |
| Advertising | | 111,367 |
| Facility and parking income | | 111,832 |
| Interest income | | 7,249 |
| Miscellaneous | | 59,196 |
| Total revenues | | 4,110,676 |
| Net operating deficit | | 8,286,156 |
| Adjustments | | |
| Extraordinary Expenses | | 77,791 |
| Net cost of service | | 8,363,947 |
| Net cost of service funding: | | |
| Local assessments | | 2,593,030 |
| Subtotal state contract assistance to be funded | | 5,770,917 |
| State Contract Assistance | | 5,718,674 |
| State Contract Assistance to complete Forward Funding | | 52,243 |
| Subtotal state contract assistance to be funded | | — |
| Balance requested from the State on June 30, 2014 | $ | — |

See accompanying independent auditors’ report.

**Schedule 2**

**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, 2014

| | | |
|---|---|---|
| Proof calculations and other required information: | | |
| A. Prior year operating expenses, net of fully funded costs brokerage service | $ | 13,923,645 |
| Allowable percentage increase | | 2.5% |
| Prior year net operating expense times 2.5% | | 348,091 |
| Current year allowable net operating expense | $ | 14,271,736 |
| B. Extraordinary expenses | $ | 77,791 |
| Prior year local assessment | | 2,593,030 |
| Percentage of extraordinary to prior year local assessment (not to exceed 3%) | | 3.00% |
| C. Aggregate amount of reserve account at June 30, 2014 | $ | 515,964 |
| Prior year local assessment | | 2,593,030 |
| Percentage of reserve account to prior local assessment (not to exceed 20%) | | 19.90% |
| D. State the management fee paid to major service providers as a percentage of operating costs incurred | | 1.32% |
| 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.