

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a component Unit of the Massachusetts Department of Transportation)

Basic Financial Statements, Supplementary Data
For the Year Ended June 30, 2015

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

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GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

The Reporting Entity

The Greater Attleboro-Taunton Regional Transit Authority (the Authority) is a component unit of the Massachusetts Department of Transportation (MassDOT) and MassDOT is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Authority was established as a political subdivision of the Commonwealth on December 15, 1976, by the various cities and towns constituting the Authority, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service.

Overview of the Financial Statements

This overview and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. In addition to the basic financial statements, the report includes notes to the financial statements, required supplementary information pertaining to the pension and other postemployment benefit plans and certain schedules required by Commonwealth agencies.

The statement of net position reports assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and reports the difference between the two as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position consists of three sections: invested in capital assets, restricted, and unrestricted. The invested in capital assets component of the net position consists of capital assets, net of related debt. The deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in the invested in capital assets component, if applicable. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. All other net position is unrestricted.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses, nonoperating revenues and expenses, and capital grants and contributions for the year. The net of these income and expense accounts results in the increase or decrease in net position. That change combined with the net position at the end of the previous year reconciles to the net position at the end of the current year.

The statement of cash flows reports cash and cash equivalents activities for the year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net results of these activities added to the beginning of the year cash and cash equivalents balance reconciles the cash and cash equivalents balance at the end of the year.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

Condensed Financial Information

Statement of Net Position
(000 omitted)

	2015	2014
Current assets	\$ 13,779	\$ 17,730
Capital assets, net	24,740	24,696
Restricted and noncurrent assets	5,072	3,479
Total assets	43,591	45,905
Deferred outflows of resources	26	
Total assets and deferred outflows of resources	43,617	45,905
Restricted and noncurrent liabilities	12,436	11,556
Current liabilities	7,498	9,667
Total liabilities	19,934	21,223
Net position		
Invested in capital assets	24,740	24,696
Restricted		299
Unrestricted	(1,057)	(1,007)
Total net position	\$ 23,683	\$ 23,988

Statement of Revenues, Expenses and Changes in Net Position
(000 omitted)

	2015	2014
Operating revenues		
Transportation services	\$ 36,853	\$ 31,560
Operating expenses		
Cost of services, maintenance and administration	49,198	43,098
Depreciation	3,607	3,400
	52,805	46,498
Operating loss	(15,952)	(14,938)
Nonoperating revenues and (expenses)		
Operating assistance	12,115	11,380
Other nonoperating	84	71
	12,199	11,451
Income (loss) before capital contribution	(3,753)	(3,487)
Capital contributions	3,448	6,461
	3,448	6,461
Increase (decrease) in net position	(305)	2,974
Net position		
Beginning of year		
As previously reported	23,988	21,708
Cumulative effect of change in accounting principle		(694)
As restated	23,988	21,014
End of year	\$ 23,683	\$ 23,988

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2015 and 2014

The assets of the Authority exceeded its liabilities at June 30, 2015 by approximately \$23,683,000.

The Authority's net position decreased by approximately \$999,000 (4.0%) during the current year. The net decrease in net position was the result of a decrease of approximately \$305,000 in normal income and expenses, less the cumulative effect of a change in an accounting principle, related to the implementation of GASB 68 for the net pension liability, of approximately \$694,000.

The Authority's total assets decreased in 2015 versus 2014 by approximately \$2,314,000 (5.0%).

Deferred outflows of resources – related to pensions increased by approximately \$26,000.

Total current assets decreased in 2015 versus 2014 by approximately \$3,951,000 (22.2%). This was caused by a decrease in cash of \$3,312,000 and receivables for operating assistance and other current assets of \$639,000.

The restricted and noncurrent assets increased in 2015 versus 2014 by approximately \$1,593,000 (45.8%). This was caused by increases in noncurrent receivables of a \$2,197,000 less decreases in restricted cash and receivables of \$604,000.

Total net capital assets increased in 2015 versus 2014 by approximately \$44,000 (0.2%).

Total debt decreased by approximately \$1,289,000 (6.1%). This was caused primarily by a net decrease in restricted and long-term accounts payable and accrued expense of \$134,000, notes payable of \$3,000,000, net of increases in current accounts payable and accrued expense of \$830,000, OPEB liability of \$321,000 and net pension liability of \$694,000.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

Revenues

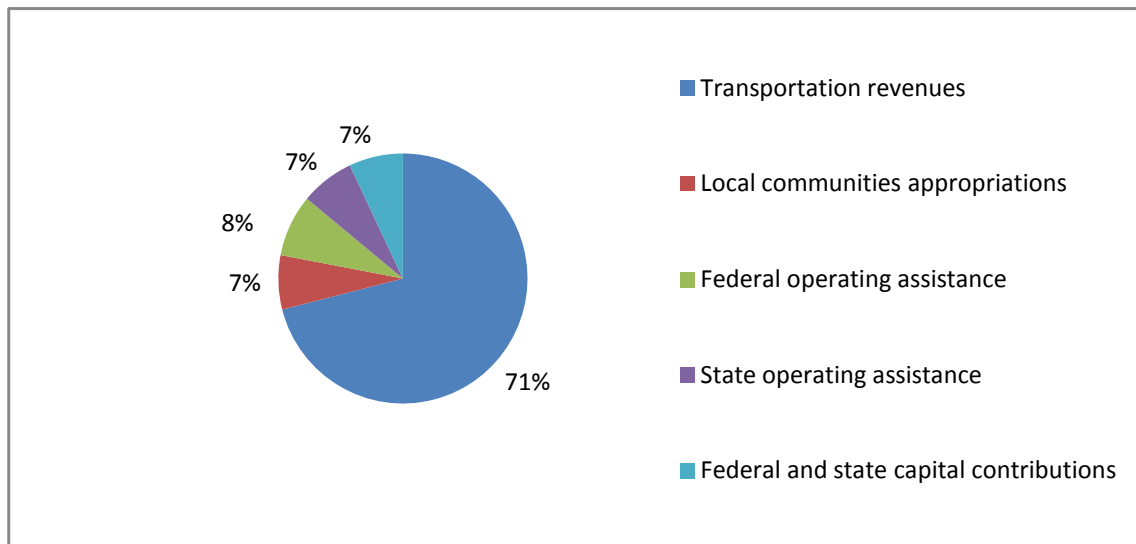
Total operating revenue increased in 2015 versus 2014 by approximately \$5,293,000 (16.8%). This was caused primarily by increases in fares and ridership related to the Authority's brokerage service contract with the Commonwealth.

Nonoperating revenue increased in 2015 versus 2014 by \$748,000 (6.5%). This was caused by increases in state and local operating assistance grants of \$893,000, less a reduction in Federal operating grants of \$159,000 and other increases of \$14,000.

Total capital contributions decreased in 2015 versus 2014 \$3,013,000 (46.6%). This was caused primarily by a decrease in Federal and State capital grant funding.

The increase (decrease) in net position decreased in 2015 versus 2014 by approximately \$3,279,000 (110.3%). This was caused primarily by a decrease in Federal and State capital assistance.

Revenues by source:



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Operating Expenses

Total operating expenses increased in 2015 versus 2014 by approximately \$6,307,000 (13.6%). This was caused by increases in the cost of service, maintenance, administration and depreciation expenses.

The cost of service increased in 2015 versus 2014 by approximately \$5,212,000 (13.5%). This was caused primarily by an increase in service provided.

Maintenance expense increased in 2015 versus 2014 by approximately \$228,000 (13.2%).

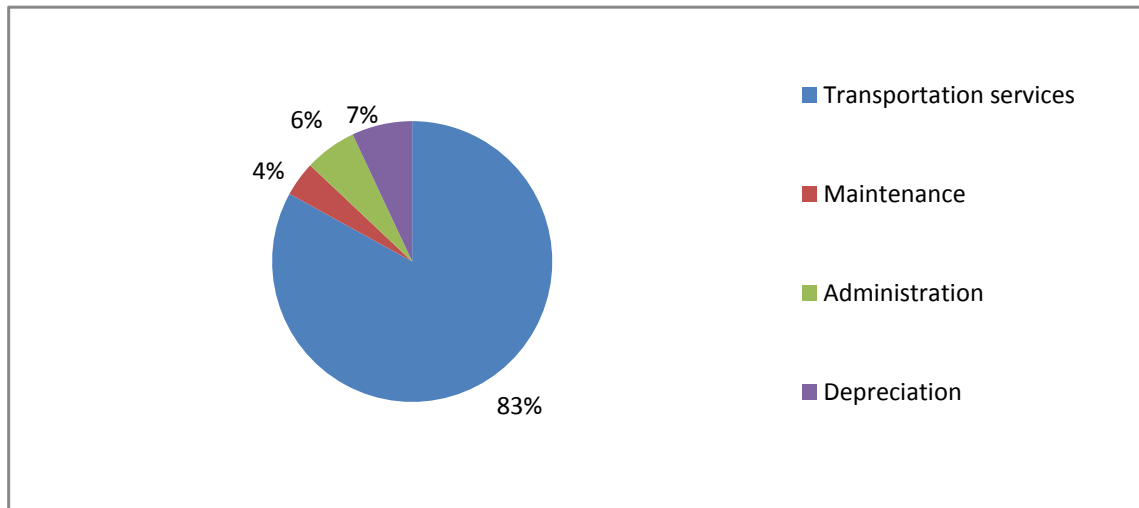
Administration expense increased in 2015 versus 2014 by approximately \$660,000 (23.9%).

Depreciation expense increased in 2015 versus 2014 by approximately \$207,000 (6.1%). This was primarily attributable to the addition of a full years' depreciation on 2014 acquisitions and half years' depreciation on 2015 acquisitions.

The Authority's operating loss increased in 2015 versus 2014 by approximately \$1,014,000 (6.8%).

The cumulative effect of a change in accounting principle of approximately \$694,000 was recorded in 2015. This was done to implement GASB No. 68. It was related to recording the net pension liability.

Expenses by source:



GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
 FOR THE YEAR ENDED JUNE 30, 2015

Capital Assets

The Authority's investment in capital assets as of June 30, 2015, amounted to approximately \$24,740,000, net of accumulated depreciation. The investment in capital assets includes land, construction in progress, buildings and structures, vehicles, equipment, and intangible assets. The total net increase in capital assets for the current year was \$44,000 or a .2% increase.

Capital assets at year-end net of accumulated depreciation
 (000 omitted)

	<u>2015</u>	<u>2014</u>
Land	\$ 822	\$ 822
Construction in progress	2,502	2,659
Buildings and structures	28,883	27,460
Vehicles	17,746	16,549
Equipment	4,669	4,943
Intangible assets	948	693
	55,570	53,126
Less accumulated depreciation	30,830	28,430
	\$ 24,740	\$ 24,696

Revenue Anticipation Note

The Authority had a revenue anticipation note of \$7,500,000 and \$10,500,000 at the end of 2015 and 2014, respectively. These notes provide operating cash flow until grant funds are received from the Commonwealth.

Economic Factors

A number of economic factors may effect the Authority's 2016 operations. The following factors may effect 2016 operations: fixed increases in payroll and fringe related to a union contract, potential fuel increases, potential insurance increases and decreases in Federal and Commonwealth funding due to budgetary problems.

The Authority's operating revenue for the past three years was approximately:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Transportation services	\$27,903,000	\$31,560,000	\$36,853,000
Other revenue	62,000	71,000	84,000

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Francis Gay, Administrator, Greater Attleboro-Taunton Regional Transit Authority, 10 Oak Street, 2nd Floor, Taunton, MA 02780-1222.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

The Advisory Board
Greater Attleboro-Taunton Regional Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Attleboro-Taunton Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi and the required supplementary information schedules (Namely, the schedule of the Authority's proportionate share of the net pension liability, the schedule of pension contributions and the schedule of funding progress -OPEB) on pages 23 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, included in the accompanying schedules on pages 26 through 29, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2015 on our consideration of the Authority's internal control over financial reporting and 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.

Bruce D. Norling, CPA, P.C.

December 23, 2015

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position
June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	200,714
Receivables		13,346,223
Other current assets		231,954
Total current assets		13,778,891

Restricted and noncurrent assets

Restricted assets		
Cash and cash equivalents		460,104
Receivables capital grants		2,414,878
Total restricted assets		2,874,982
Receivables		2,196,726
Capital assets, net		24,740,088
Total restricted and noncurrent assets		29,811,796
Total assets		43,590,687

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow loss related to pensions		26,068
Total assets and deferred outflows		43,616,755

LIABILITIES

Current liabilities

Accounts payable and accrued expense		7,497,609
Total current liabilities		7,497,609

Restricted and noncurrent liabilities

Liabilities payable from restricted assets		
Accounts payable and accrued expense		2,874,982
Accounts payable and accrued expense		445,544
OPEB Liability		921,807
Long-term debt		7,500,000
Net pension liability		694,118
Total restricted and noncurrent liabilities		12,436,451
Total liabilities		19,934,060

NET POSITION

Invested in capital assets		24,740,088
Restricted		
Unrestricted		(1,057,393)
Total net position	\$	23,682,695

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating revenues		
Transportation services	\$	36,852,594
Operating expenses		
Cost of service, maintenance and administration		
Transportation service		43,816,020
Maintenance		1,958,446
General and administration		3,423,527
		<u>49,197,993</u>
Depreciation		3,606,620
		<u>52,804,613</u>
Operating loss		(15,952,019)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal		4,411,348
State		3,826,072
Local		3,877,364
Interest expense		(23,804)
Other		107,788
		<u>12,198,768</u>
Loss before capital contributions		(3,753,251)
Capital contributions		
Commonwealth of Massachusetts appropriations		749,801
Federal appropriations		2,653,338
Other		44,681
		<u>3,447,820</u>
Decrease in net position		(305,431)
Total net position		
Beginning of year, as reported		24,682,244
Cumulative effect of a change in accounting principle - Implementation of GASB 68		(694,118)
Beginning of year, as restated		<u>23,988,126</u>
End of year	\$	<u><u>23,682,695</u></u>

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

1. The Authority and Operators

The Greater Attleboro-Taunton Regional Transit Authority (the Authority) is a component unit of the Massachusetts Department of Transportation (MassDOT) and MassDOT is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Authority was established as a political subdivision of the Commonwealth on December 15, 1976, by the various cities and towns constituting the Authority, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service.

The Authority is managed by an Administrator appointed by an Advisory Board. The Advisory Board is made up of appointed representatives from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the Federal government, MassDOT, and the member communities. In addition, the Authority receives federal and state capital grants that are used to finance acquisitions and improvements to facilities and equipment.

The operation and maintenance of the Authority is performed by various private sector transportation companies (the Operators) under terms and agreements whereby the carriers provide mass transit along such routes and according to such schedules as may be defined by the Authority. In return, the Authority agreed to reimburse the Operators for all costs and expenses which are reasonable and necessary for the efficient operation of the system.

The Authority also has a brokerage contract with the Commonwealth's Executive Office of Health and Human Services, whereby, the Authority coordinates with this Agency to provide its clients with transportation services. The actual services are provided by various private sector transportation companies.

2. Summary of Significant Accounting Policies

a) Measurement Focus, Basis of Accounting and Financial Reporting Presentation – The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under these standards, the Authority is defined as a special-purpose government, engaged only in business-type activities.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized at the time transportation services are provided. Unearned revenue represents cash received in advance of future services.

The Authority distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's principal operating revenue is passenger fares. Operating expenses include the cost of transit services, provided by third party vendors, maintenance, administrative and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

a) Measurement Focus, Basis of Accounting and Financial Reporting Presentation (continued)

The Authority has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which establishes guidance for applying standards established in Financial Accounting Standards Board (FASB) statements and interpretations to the preparation of financial statements for proprietary fund activities. In accordance with GASB Statement No. 62, the Authority complies with and observes all FASB statements and interpretations that were issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

b) Adoption of New Accounting Pronouncements – In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

This statement requires the net pension liability of the Authority to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total pension liability and related measures set forth by this Statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Projections of benefit payments are required to be based on the benefit terms and legal agreements existing at the measurement date and to incorporate the effects of projected salary changes (if the pension formula incorporates future compensation levels), and service credits (if the pension formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). Projections also are required to include the effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic.

Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements (continued)

The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age normal actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

The Authority implemented this statement in 2015. This change in an accounting principle had the following effects on the Authority's financial statements:

- a) the recording of the net pension liability (unfunded pension plan obligation),
- b) an actuarially determined pension expense and deferred outflows of resources,
- c) significant new note disclosures, and new required supplementary information data,
- d) restated beginning net position with an adjustment for the cumulative effect of this change in accounting principle, of \$694,118.

In November, 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Authority implemented this statement during 2015. The adoption of this standard did not have a material impact on the Authority's financial statements.

In January, 2013, the GASB issued GASB No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Authority implemented this statement during fiscal year 2015. The adoption of this standard did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2015 and are applicable to the Authority. The Authority has not yet adopted these statements, and the implication on the Authority's fiscal practices and financial reports is being evaluated.

<u>Statement No.</u>	<u>Adoption Required in Fiscal Year</u>
72 <i>Fair Value Measurement and Application</i>	2016
73 <i>Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts that Meet Specified Criteria</i>	2016
74 <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	2017
75 <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans</i>	2018

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

c) Capital Grants – The Authority receives capital grants from various governmental agencies to be used for various purposes connected with the planning, modernization and expansion of transportation facilities and equipment. Capital grants are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

d) Statement of Cash Flows – For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

e) Accrued Sick Leave and Vacation – Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave at the then-current rates of pay. The accumulated amount of sick and vacation leave is recorded as an expense and liability as the benefits accrue to employees.

f) Restricted Assets and Restricted Liabilities – Restricted assets are restricted for the acquisition of capital assets and for the liquidation of certain obligations pursuant to an agreement with another transportation authority. Restricted liabilities are amounts payable from the restricted assets.

g) Capital Assets – Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated service lives of the assets. The Authority's capitalization policy is to capitalize all assets acquired with capital funds regardless of the dollar amount. The estimated service lives are as follows:

Buildings	20 – 40 years
Vehicles	4 – 12 years
Equipment	5 – 7 years
Intangible assets	2 – 7 years

h) Net Position - Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported in three categories and these are defined as follows: (1) amounts invested in capital assets consists of capital assets, net of accumulated depreciation and is reduced by the related debt that is attributed to the acquisition, construction, or improvement of those assets, (2) restricted net position results when constraints are placed on net position use, and are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation. (3) Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

The restricted net position is all expendable.

i) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

i) Restricted Cash and Investment Accounts – Certain cash and investments are segregated from operating cash due to certain internal or external restrictions as follows:

- Stabilization and contingency reserve accounts – represent funds held in accordance with statutory requirements to be used when annual revenues are projected to be less than annual expenses, or if the Authority has insufficient funds on hand to pay current expenses.
- Other Accounts – represent internally restricted funds held for capital acquisitions and other expenses.

j) Postemployment Benefits – Postemployment (OPEB) benefits, primarily healthcare, are recognized on an accrual basis. The accrual is the recognition of an expense that is calculated based on the annual required contribution of the Authority, an amount actuarially determined in accordance with the parameters of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The expense is recorded while the future retiree is earning the benefit (ie., employed) rather than when they receive the benefit (ie., when retired). To the extent that the Authority does not fund the contribution, a postemployment benefit liability is recognized.

k) Available Unrestricted Resources – The Authority's policy is to utilize available unrestricted resources prior to restricted resources.

l) Pensions – For purposes of measuring the Authority's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Taunton Contributory Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m) Deferred Outflows/Inflows of Resources - In order to distinguish them from assets and liabilities, the Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and inflows, respectively. For fiscal 2015, the Authority reported deferred outflows related to its pension plan. It did not have any deferred inflows of resources.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
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June 30, 2015

3. Cash and Cash Equivalents

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 its agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Custodial credit risk exists for cash deposits when, in the event of the failure of a depository financial institution, the Authority's deposits will not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are fully FDIC insured or collateralized with securities held by the pledging financial institution's trust department in the financial institution's name. At June 30, 2015, the Authority does not have any uninsured or uncollateralized bank deposits.

Balance per banks	\$ 1,704,065
Deposits covered by:	
Federal Depository Insurance Corporation	(429,427)
Depositors Insurance Fund	(1,225,043)
Collateralized with pledged securities	<u>(49,595)</u>
 Total uninsured and uncollateralized deposits	 <u><u>\$ -</u></u>

Cash and cash equivalents reported in the accompanying statement of net position as of June 30, 2015, are as follows:

Current assets - cash and cash equivalents	\$ 200,714
Noncurrents assets - restricted funds	460,104
Total	<u><u>\$ 660,818</u></u>

4. Grants

The Federal government provides both operating and capital funding pursuant to the various sections of the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU), of 2005. Activities that previously received dedicated funding from SAFETEA-LU are being replaced by funding from new legislation, namely, the Moving Ahead for Progress in the 21st Century (MAP-21) Act, of 2012.

Further, the Commonwealth of Massachusetts (MassDOT) and the member communities provide the local share of both operating and capital funding.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

5. Receivables

The receivables balance on the accompanying statement of net position is disaggregated as follows:

United States Department of Transportation -		
Federal Grants		
Operating grants	\$ 2,859,452	<u>2,859,452</u>
Commonwealth of Massachusetts		
Operating grants		
Local operating assistance to be billed by the		
Commonwealth to Cities and Towns constituting		
the Authority and paid by the Commonwealth to		
the Authority	6,230,143	
Executive Office of Human Services Transportation Revenue	6,349,462	<u>12,579,605</u>
Other		<u>103,892</u>
Total Receivables		15,542,949
Less: noncurrent receivables		<u>(2,196,726)</u>
Current receivables		<u>\$ 13,346,223</u>
Capital assistance		
Commonwealth of Massachusetts	\$ 644,999	
Federal grants	1,719,832	
Other	50,047	
Total Receivables capital grants		<u>\$ 2,414,878</u>

6. Other Current Assets

The other current asset balance includes inventory of motor vehicle parts and fuel for 2015 of approximately \$227,000. This inventory is stated at the lower of cost or market.

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Notes to Financial Statements
June 30, 2015

7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 822,107	\$ -	\$ -	\$ 822,107
Construction in progress	2,658,985	449,945	606,383	2,502,547
Subtotal	<u>3,481,092</u>	<u>449,945</u>	<u>606,383</u>	<u>3,324,654</u>
Depreciable capital assets				
Buildings and structures	27,460,037	1,423,130		28,883,167
Vehicles	16,548,660	1,923,369	726,192	17,745,837
Equipment	4,943,143	148,876	423,307	4,668,712
Intangible assets	693,468	320,717	66,440	947,745
Subtotal	<u>49,645,308</u>	<u>3,816,092</u>	<u>1,215,939</u>	<u>52,245,461</u>
Accumulated depreciation	<u>28,430,469</u>	<u>3,606,620</u>	<u>1,207,062</u>	<u>30,830,027</u>
Net depreciable capital assets	<u>21,214,839</u>	<u>209,472</u>	<u>8,877</u>	<u>21,415,434</u>
Net depreciable and net capital assets	<u>\$ 24,695,931</u>	<u>\$ 659,417</u>	<u>\$ 615,260</u>	<u>\$ 24,740,088</u>

Depreciation expense for 2015 was \$3,606,620.

8. Accounts Payable and Accrued Expense

The accounts payable and accrued expense balance is disaggregated as follows:

Accounts payable	\$ 9,650,085
Accrued expense	710,932
Unearned revenue	457,118
	<u>10,818,135</u>
Less: Liabilities payable from restricted assets and long-term portion	<u>(3,320,526)</u>
Accounts payable and accrued expense - current	<u><u>7,497,609</u></u>

9. Revenue Anticipation Notes

During the year ended June 30, 2015, the following changes occurred in the Authority's revenue anticipation notes (RANs):

Beginning balance	\$ 10,500,000
New notes issued	7,500,000
Notes retired	(10,500,000)
Ending balance	<u><u>\$ 7,500,000</u></u>

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

9. Revenue Anticipation Notes (continued)

The RAN outstanding at June 30, 2015, has an interest rate of 1.0% (.6% effective interest rate after applying premium) and is due in August, 2015 and is fully guaranteed by the Commonwealth of Massachusetts. This note is short-term debt expected to be refinanced. Therefore, it is classified as long-term debt on the statement of net position.

10. Leases

The Authority leases two commuter rail stations from the Massachusetts Bay Transportation Authority (MBTA). The leases require the Authority to pay essentially all the operating expenses of the facilities in lieu of rent. These expenses are not material to the Authority's financial statements. One of the leases allows the Authority to operate the MBTA's Attleboro Station paid parking facility. The excess of revenues over expenses is shared with the MBTA. However, the Authority's share of income is restricted as to use as it must be used for capital improvements to the Attleboro Station.

11. Retirement Plans

Pension Plan

General Information about the Pension Plan

Plan Description – The Authority provides employees retirement benefits through the City of Taunton Contributory Retirement System (the System). The System is a cost-sharing, multiple-employer, defined benefit pension plan. The System is a member of the Massachusetts Contributory Retirement System and is governed by Massachusetts General Laws, Chapter 32. Oversight of the System is provided by a five person Board of Retirement. The Plan issues a publicly available financial report that may be obtained by contacting the Plan located at 40 Dean Street, Unit 3, Taunton, MA 02780.

Benefits Provided – The Plan covers all full-time employees and provides retirement, disability, cost of living adjustments and death benefits to all plan members and beneficiaries. The Plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Contributions – Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan 5% to 11% of their covered compensation, depending on plan entry date and the level of compensation. The Authority's contractually required contribution rate for the year ended June 30, 2015, was 12.31% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$94,741 for the year ended June 30, 2015.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

11. Retirement Plans (continued)

Pension Plan (continued)

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

At June 30, 2015, the Authority reported a liability of \$694,118 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Update procedures were used to roll forward the total pension liability to December 31, 2014. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Authority's proportion of net pension liability was approximately .64 percent.

Since the System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

For the year ended June 30, 2015, the Authority recognized pension expense of \$80,827 and reported deferred outflows of resources related to pensions from the following source:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 26,068</u>

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

<u>Year</u>		
2016	\$	5,214
2017		5,214
2018		5,214
2019		5,213
2020		5,213

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

11. Retirement Plans (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions – The total pension liability in the January 1, 2014 actuarial valuation and the related update to December 31, 2014 (the measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement:

<p>Actuarial cost method Amortization method Asset valuation method</p>	<p>Individual entry age normal cost method Payments increase at 4.0 percent Assets held by the fund are valued at market values as reported by the Public Employees' Retirement Administration Commission (PERAC). 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.</p>
<p>Remaining amortization period Inflation Salary increases Investment rate of return</p>	<p>22 years 3.0 percent 3.5 percent, average 8.0 percent, net of pension plan investment expense, including inflation</p>
<p>Cost of living adjustments Rates of retirement Mortality rates:</p>	<p>3.0 percent up to a maximum of \$14,000 Varies based on age</p>
<p> Pre-retirement and Post-retirement</p>	<p>The RP-2000 Mortality Table for males and females adjusted to 2015 with a Scale AA.</p>
<p> Disabled Retiree</p>	<p>The RP-2000 Mortality Table set forward two years for all disabled members</p>

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of actuarial experience study for the period of January 1, 2012 to January 1, 2014.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

11. Retirement Plans (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	20.00%	6.60%
International developed markets equity	16.00%	7.10%
International emerging markets equity	7.00%	9.40%
Core fixed income	13.00%	2.20%
High-yield fixed income	10.00%	4.70%
Real estate	10.00%	4.40%
Commodities	4.00%	4.40%
Hedge fund, GTAA, Risk parity	10.00%	3.90%
Private equity	10.00%	11.70%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease <u>(7.0%)</u>	Discount Rate <u>(8.0%)</u>	1% Increase <u>(9.0%)</u>
Authority's proportionate share of the net pension liability	\$ 943,730	\$ 694,118	\$ 479,888

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

11. Retirement Plans (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

Post Employment Healthcare Benefits

Plan Description – In addition to pension benefits, the Authority provides postemployment health care benefits for eligible employees. For employees hired before April 2, 2012, the Plan provides benefits to those who have attained age 55 and have rendered at least 10 or more years of service or at any age with 20 or more years of service. For those hired after April 1, 2012, benefits are received after attaining age 60 with 10 or more years of service. The benefits, benefit level, employee contributions and employer contributions are governed by the Authority. As of July 1, 2014, the actuarial valuation date, approximately 23 active employees and 4 retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

Benefits Provided – Medical coverage, excluding dental, under the group health insurance plan for regular full-time employees will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period provided that the employee pay 10% of the enrollment cost as established annually by the Plan administrator. Once the retired employee is entitled to Medicare or dies, health care coverage for the employee’s spouse will continue, provided that the enrollment costs as established annually by the Plan administrator are paid.

Funding Policy – The retired employee must pay 10% of the enrollment cost (the “working rate”) as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

11. Retirement Plans (continued)

Post Employment Healthcare Benefits (continued)

Annual OPEB Costs and Net OPEB Obligation – The Authority’s annual OPEB expense is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The components of the Authority’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the Authority’s net OPEB obligation based on an actuarial valuation as of July 1, 2014 are as follows:

Annual required contribution (ARC)	\$ 340,209
ARC adjustment	(18,555)
Interest on net OPEB obligation	21,009
Annual OPEB cost	342,663
Contributions made	(21,105)
Increase in net OPEB obligation	321,558
Net OPEB obligation - beginning of year	600,249
Net OPEB obligation - end of year	\$ 921,807

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

<u>Fiscal Years Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Contribution</u>	<u>Net OPEB Obligation</u>
June 30, 2013	123,604	14.4%	515,617
June 30, 2014	106,320	20.4%	600,249
June 30, 2015	342,663	6.2%	921,807

Funded Status and Funding Progress – The funded status of the plan as of July 1, 2014, the actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 3,209,291
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ 3,209,291
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	1,053,718
UAAL as a percentage of covered payroll	304.6%

The significant increase in the annual required contribution and the actuarial accrued liability since the prior valuation was caused by the following assumption change. Actuarial Standards of Practice (ASOPs) now require that the payment of future benefits be determined using the current schedule of premiums under the plans provided by the Authority, modified to reflect the fact that actual healthcare expenses are higher as individuals age. In the previous valuation, the plan was considered to be “community rated” and therefore did not adjust the schedule of premiums as described above. Further, the number of active employees went up.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

11. Retirement Plans (continued)

Post Employment Healthcare Benefits (continued)

Funded Status and Funding Progress (continued)

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 healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer 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 liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial value of the assets was zero. The actuarial assumptions included a 3.5% discount rate, a 4.0% investment rate of return, when applicable, and an annual healthcare cost trend rate of 8.0% initially, reduced by .5% per year to an ultimate rate of 4.5% after 7 years. Both rates include a 3.0% general inflation assumption. The UAAL is being amortized as a level percentage over 30 years on an open basis.

12. Commitments and Contingencies

- a) Purchase commitments – Construction in progress at June 30, 2015 consisted of expenditures by the Authority for various construction projects, which management expects will be completed in fiscal year 2016. At June 30, 2015, remaining construction commitments for these projects was approximately \$1,167,000.
- b) Litigation – In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse effect on the Authority's financial position.
- c) Risk management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers compensation claims for which the Authority carries commercial insurance. Settlements have not exceeded coverages for each of the past three fiscal years.

The Authority's workers compensation coverage is insured under a retrospectively rated policy. In the opinion of management, any insurance carrier audit adjustment, if any, will not be material to the accompanying financial statements.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

12. Commitments and Contingencies (continued)

c) Risk management (continued)

The Authority has received capital and operating financial assistance from Federal and State agencies in the form of grants. Expenditure of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of Authority management, liabilities resulting from such disallowed expenditures, if any, would not be material to the accompanying financial statements.

13. Related Party Transactions

Transactions with MassDOT (Primary Government) and the Commonwealth are as follows:

- a. Receivables are delineated in Note 5.
- b. Actual operating and capital assistance for 2015 is as follows:

Operating assistance	
Commonwealth appropriations	\$ 3,938,107
Federal pass-through grants	177,433
Local communities' assistance	3,887,364
Capital assistance	
Commonwealth appropriations	749,801
Executive Office of Human Services Transportation	<u>35,128,061</u>
Total related party transactions	<u>\$ 43,880,766</u>

14. Subsequent Event

Subsequent to June 30, 2015, the Authority issued \$7,500,000 in revenue anticipation notes that had an interest rate of 1.50%. These RANs will mature in August, 2016 and are guaranteed by the Commonwealth of Massachusetts. The Authority evaluated subsequent events through December 23, 2015, when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

15. Reserve for Extraordinary Expense

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 in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. During the current year, the Authority contributed \$112,035 to the reserve. Further, contributions to the reserve in 2014 and 2013 were \$107,614 and \$100,189, respectively. The balance in the reserve account at June 30, 2015 is \$319,838.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2015

	<u>2015</u>
Authority's proportion of the net pension liability	0.064%
Authority's proportionate share of the net pension liability	\$ 694,118
Authority's covered-employee payroll	\$ 769,679
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	90.2%
Plan fiduciary net position as a percentage of the total pension liability	71.2%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2014

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Changes Information

Since the City of Taunton Contributory Retirement System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information
Schedule of Pension Contributions
For the year ended June 30, 2015

	<u>2015</u>
Actuarially required contribution	\$ 94,741
Contributions in relation to the actuarially required contribution	<u>(94,741)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 769,679
Contributions as a percentage of its covered-employee payroll	12.31%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Authority is required to pay an annual appropriation as established by the Massachusetts Contributory Retirement System. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with adopted early retirement incentive programs.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Other Postemployment Benefit Plan
For the years ended June 30, 2008 through 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	([b - a] / c)
6/30/2008	\$ -	\$ 1,276,810	\$ 1,276,810	0.0%	\$ 585,228	218.2%
6/30/2010	\$ -	1,448,456	1,448,456	0.0%	643,633	225.0%
6/30/2012	\$ -	1,013,512	1,013,512	0.0%	702,263	144.3%
6/30/2014	\$ -	3,209,291	3,209,291	0.0%	1,053,718	304.6%

Change

The significant increase in the actuarial accrued liability since the prior valuation was caused primarily by the following assumption change. Actuarial Standards of Practice (ASOPs) now require that the payment of future benefits be determined using the current schedule of premiums under the plans provided by the Authority, modified to reflect the fact that actual healthcare expenses are higher as individuals age. In the previous valuation, the plan was considered to be "community rated" and therefore did not adjust the schedule of premiums as described above.

GREATER ATTLEBORO-TAUNTON REGIONAL
TRANSIT AUTHORITY

Schedule 1

(a Component Unit of the Massachusetts Department of Transportation)

Statement of Net Cost of Service (Unaudited)
Year ended June 30, 2015
Form 1

	Urbanized Area Service	Rural Area Service	Total Area Service
I. Operating Costs			
A. RTA administrative costs (excluding depreciation)	\$ 407,819	24,193	
B. Purchased services			
Fixed route	6,647,532		
Demand response	5,298,136	812,748	
Brokerage services	33,379,500	1,980,140	
C. Debt Service	28,593	1,696	
D. Commuter rail stations/parking	501,295		
Total Operating Costs	<u>46,262,875</u>	<u>2,818,777</u>	<u>49,081,652</u>
II. Federal Operating Assistance			
A. FTA operating and administrative	4,411,348		
B. Other federal	-	-	
Total Federal Assistance	<u>4,411,348</u>	<u>-</u>	<u>4,411,348</u>
III. Revenues			
A. Operating			
1. Farebox Revenue	904,355	53,648	958,003
B. Brokerage service reimbursement	33,379,500	1,980,140	35,359,640
C. Other third party reimbursement			-
D. Other fully funded			
Local Communities	729,170	43,256	772,426
Other	340,459	20,197	360,656
E. Other Revenues			
1. Advertising	51,350		51,350
2. Parking	94,283		94,283
3. Sale of capital assets	13,440	797	14,237
4. Interest income	6,122	363	6,485
5. Miscellaneous	115,370	6,844	122,214
Total Other Revenues	<u>280,565</u>	<u>8,004</u>	<u>288,569</u>
IV. Net Operating Deficit (I-II-III)	6,217,478	713,532	6,931,010
V. Adjustments			
A. Extraordinary expenses (not to exceed 2.5% of prior year's local assessment)	105,649	6,386	112,035
B. Current expense	-	-	-
	<u>105,649</u>	<u>6,386</u>	<u>112,035</u>
VI. Net Cost of Service (IV+V)	6,323,127	719,918	7,043,045
VII. Net Cost of Service Funding			
A. Local Assessments			3,104,938
B. State contract assistance			
1. LESS: Adjustment for exceeding 2.5% cap on prior year net operating expenses			<u>3,938,107</u>
C. State Contract Assistance to be funded			
1. LESS: Payment made by MassDOT during current year			3,938,107
			<u>(3,938,107)</u>
D. Balance requested from the State			-
Viii. Unreimbursed Deficit (VI-VIIA-VIIC)			-

Net Cost of Service-Calculation Worksheet (Unaudited)
Year Ended June 30, 2015
Form 2

I. Proof calculations and other required information:

A. Prior year operating exp., net of fully funded brokerage serv. costs	\$ 12,901,178
Allowable percentage increase:	2.50%
Prior year, net operating expenses times 2.5%	<u>322,529</u>
Current year, allowable net operating expense	<u>13,223,707</u>
Plus adjustments:	
ADA expenses in excess of the 2.5% cap	
Brokerage funded costs	35,359,640
New service costs	49,500
Other fully funded	448,805
	<u>\$ 49,081,652</u>
 B. Amount of extraordinary expenses (See V. Adjustments, Form 1)	 \$ 112,035
Prior year local assessment	<u>3,734,501</u>
Percentage extraordinary expense to prior local assessment (not to exceed 3%)	<u>3.0%</u>
 C. Aggregate amount of reserve account at June 30.	 \$ 319,838
Prior year local assessment	<u>3,734,501</u>
Percentage of reserve account to prior local assessment (not to exceed 20%)	<u>8.6%</u>
 D. State the management fee paid to major service providers as a percentage of operating costs incurred.	 4.6%
 E. State the percentage of benefits paid by RTA on behalf of RTA employees for:	
1. Group life and accidental death insurance	N/A
2. Group health insurance	90.0%
 F. State the brokerage service contracts costs as a percentage of total operating costs.	 72.0%
 G. Stabilization Fund:	
1. Current year	\$ 0
2. Aggregate balance	<u>\$ 0</u>

Schedule of Local (Cities and Towns) Funding (Unaudited)

Year Ended June 30, 2015

<u>Community</u>	<u>Share</u>
Attleboro	\$ 398,208
Bellingham	144,050
Berkley	34,659
Carver	55,500
Dighton	13,827
Duxbury	113,451
Kingston	86,848
Foxboro	121,973
Franklin	232,487
Hanover	83,633
Lakeville	48,535
Mansfield	163,207
Marshfield	185,040
Medway	86,929
Middleborough	161,918
Norfolk	100,899
North Attleboro	204,253
Norton	100,320
Pembroke	138,709
Plainville	26,303
Plymouth	392,041
Raynham	95,732
Rehoboth	18,668
Scituate	80,694
Seekonk	100,516
Taunton	406,315
Wareham	199,505
Wrentham	83,144
	<u>\$ 3,877,364</u>

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Schedule 4

Schedule of Compensation Required by Massachusetts
Executive Office for Administration and Finance (Unaudited)
June 30, 2015

<u>Title</u>	<u>Base Salary</u>	<u>Bonus</u>	<u>Severance</u>	<u>Retirement Contribution</u>	<u>Other</u>
Administrator	\$ 110,000	\$ -	\$ -	\$ 8,242	\$ 25,554
Other employees	-	-	-	-	-
Advisory Board Members	-	-	-	-	-