

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Financial Statements, Required Supplementary Information, and
Other Supplemental Schedules
June 30, 2019
(With Independent Auditors' Report Thereon)



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

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INDEPENDENT AUDITORS' REPORT

The Advisory Board
Brockton Area Transit Authority
Brockton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Brockton Area Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2019, 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.

Auditors' 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the fiscal year ended June 30, 2019, the Authority has elected to change the measurement date of the liability reported under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the Authority reported a restatement for the change in accounting principle (see Note 10). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 8) and certain pension and other postemployment benefits information (located on pages 29 through 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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.

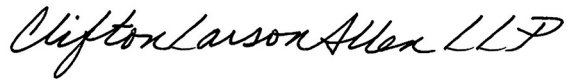
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of net cost of service and schedule of net cost of service – calculation worksheet (located on pages 34 through 35) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
September 26, 2019

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation – MassDOT)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

The following is offered to the reader of the Brockton Area Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Brockton Area Transit Authority (the Authority) during the fiscal year ended June 30, 2019. Please read this discussion and analysis in conjunction with the Authority's financial statements.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$21,729,308.
- The Authority's total net position decreased by \$1,823,872, which includes a restatement of beginning net position related to the change in measurement date associated with determining the net OPEB liability of \$36,517, during fiscal year 2019 and increased by \$4,140,987 during fiscal year 2018. This change of \$5,964,859 from fiscal year 2018 to fiscal year 2019 is mainly due to a net decrease in capital grants with one vehicle purchased in fiscal year 2019 compared to twelve in the prior year.
- The Authority's operating expenses, less operating revenues and depreciation, are funded annually through a combination of federal, state, and local assistance.

Overview of the Financial Statements

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

The proprietary and fiduciary fund statements offer short term and long term financial information about the business-type and fiduciary activities of the Authority.

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

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2019

(Unaudited)

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

Condensed Financial Information

	<u>2019</u>	<u>2018</u>	<u>Changes by dollar</u>	<u>Changes by percentage</u>
Current and other assets	\$ 7,946,602	13,756,063	(5,809,461)	(42.2)%
Noncurrent and capital assets, net	23,854,670	25,558,278	(1,703,608)	(6.7)
Deferred outflows of resources related to pensions and OPEB	<u>415,367</u>	<u>270,784</u>	<u>144,583</u>	<u>53.4</u>
Total assets and deferred outflows of resources	<u>\$ 32,216,639</u>	<u>39,585,125</u>	<u>(7,368,486)</u>	<u>(18.6)%</u>
Current liabilities	\$ 2,227,265	8,099,280	(5,872,015)	(72.5)%
Long term liabilities	7,294,204	7,103,487	190,717	2.7
Long term net pension and OPEB liabilities	871,984	720,184	151,800	21.1
Deferred inflows of resources related to pensions and OPEB	<u>93,878</u>	<u>108,994</u>	<u>(15,116)</u>	<u>(13.9)</u>
Total liabilities and deferred inflows of resources	<u>\$ 10,487,331</u>	<u>16,031,945</u>	<u>(5,544,614)</u>	<u>(34.6)%</u>
Net position:				
Net investment in capital assets	\$ 22,099,499	24,462,992	(2,363,493)	(9.7)%
Restricted	2,853	116,889	(114,036)	(97.6)
Unrestricted	<u>(373,044)</u>	<u>(1,026,701)</u>	<u>653,657</u>	<u>(63.7)</u>
Total net position	<u>\$ 21,729,308</u>	<u>23,553,180</u>	<u>(1,823,872)</u>	<u>(7.7)%</u>

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation – MassDOT)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>Changes by dollar</u>	<u>Changes by percentage</u>
Operating revenues:				
Passenger fares	\$ 3,843,083	3,603,761	239,322	6.6 %
Other operating revenues	396,905	300,647	96,258	32.0
Total operating revenues	<u>4,239,988</u>	<u>3,904,408</u>	<u>335,580</u>	<u>8.6</u>
Operating expenses:				
Transportation services	11,691,909	11,548,697	143,212	1.2
Other operating expenses	4,198,609	3,948,473	250,136	6.3
Total operating expenses, excluding depreciation	15,890,518	15,497,170	393,348	2.5
Depreciation	3,875,342	3,718,791	156,551	4.2
Total operating expenses, including depreciation	<u>19,765,860</u>	<u>19,215,961</u>	<u>549,899</u>	<u>2.9</u>
Operating loss	<u>(15,525,872)</u>	<u>(15,311,553)</u>	<u>(214,319)</u>	<u>1.4</u>
Nonoperating revenues (expenses):				
Contract assistance and local assessments	11,800,591	11,721,781	78,810	0.7
Other	(45,402)	(33,209)	(12,193)	36.7
Total nonoperating revenues	<u>11,755,189</u>	<u>11,688,572</u>	<u>66,617</u>	<u>0.6</u>
Loss before extraordinary expense reserve and capital grants	(3,770,683)	(3,622,981)	(147,702)	4.1
Extraordinary expense and stabilization reserves	(104,658)	(79,164)	(25,494)	(100.0)
Capital grants	2,087,986	7,910,342	(5,822,356)	(73.6)
Increase (decrease) in net position	<u>(1,787,355)</u>	4,208,197	<u>(5,995,552)</u>	<u>(142.5)</u>
Beginning net position	23,553,180	19,412,193	4,140,987	21.3
Prior period restatement of net position	(36,517)	(67,210)	30,693	N/A
Ending net position	\$ <u>21,729,308</u>	<u>23,553,180</u>	<u>(1,854,565)</u>	<u>(7.9)%</u>

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

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation – MassDOT)
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2019
(Unaudited)

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

- Total operating expenses, excluding depreciation, increased overall by \$393,348, or approximately 2.5%, as a result of increases in labor, fuel, interest expense and other general operating costs.
- Interest expense increased by \$52,394 or approximately 68.2%. This is a result of an increase in the interest rates and increase in borrowings by \$100,000 from fiscal year 2018 to fiscal year 2019.
- Federal assistance decreased by \$130,583, or approximately 6.7% due to increase in revenues and an increase in state contract assistance.
- Commonwealth of Massachusetts contract assistance increased by \$136,256 in fiscal year 2019.
- Revenues from assessments from member municipalities increased by \$73,137, or 2.5%, as a result of the statutorily allowed annual 2.5% increase.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2019 and 2018 amounted to \$22,680,277 and \$24,462,992, respectively, net of accumulated depreciation. This investment in capital assets includes land, transfer center, maintenance facility, transportation equipment, and miscellaneous equipment.

Capital asset additions during the fiscal years included the following:

	<u>2019</u>	<u>2018</u>
Transfer center and maintenance facility	\$ 173,972	464,399
Buses, fareboxes, and support vehicles	1,739,275	7,383,473
Miscellaneous equipment	<u>179,440</u>	<u>193,153</u>
Total	<u>\$ 2,092,687</u>	<u>8,041,025</u>

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. Capital asset additions decreased by approximately \$5,948,338 which was due to the Authority only adding one new vehicle to its fleet in FY19, whereas, twelve new vehicles were added in FY18.

At year-end, the Authority had \$6,300,000 of Revenue Anticipation notes outstanding.

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation – MassDOT)

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2019

(Unaudited)

Economic Factors and Next Year's Budget

The Authority's non-operating revenues are derived from three sources: federal programs, state operating assistance, and local assessments. In FY19 the use of federal formula funds decreased by 7% compared to the prior year, state contract assistance increased by 2%, and local assessments increased by 2.5%. Based on an expected increase in operating revenues, and the availability of discretionary grants for expanded service BAT drafted a budget that projects a 5.7% increase in expenses in fiscal year 2020.

To further support and enhance its operations, BAT has re-applied for federal grants to offset costs associated with its suburban flex-route and paratransit service that extends beyond federal minimums. Moreover, BAT received three state discretionary grants for FY20 that will increase service to a nearby urban center and commuter rail station, add trips on BAT's busiest route to Ashmont, and create a stronger connection between Brockton and Bridgewater State University.

Despite these strategic expansions, BAT continues to prioritize cost controls and capital maintenance. A recently concluded statewide task force on regional transit highlighted BAT's management practices and rigorous oversight of its transit operating companies. Although BAT has a full-time procurement officer, all management staff attend federal procurement trainings to ensure both regulatory compliance and rigorous competition for public contracts. BAT also became the first transit fleet in the U.S. to become fully outfitted with driver-assist cameras designed to reduce front-end and blind spot collisions.

To increase own-source revenues and maintain a strong farebox recovery ratio, BAT completed a two phase increase of transit fares and parking rates this July. Accordingly, BAT continues to enhance the customer experience as well by acquiring new vehicles and adding new solar-powered bus shelters along busy routes. To date, ridership has remained stable despite the fare increase and parking and advertising revenues have tracked upward.

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 Michael J. Lambert, Administrator, Brockton Area Transit Authority, 155 Court Street, Brockton, Massachusetts 02302.

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

Statement of Net Position

June 30, 2019

Assets and Deferred Outflows

Current assets:	
Unrestricted cash and short term investments (note 6)	\$ 997,755
Restricted cash (note 6)	993,931
Receivables for operating assistance:	
Commonwealth of Massachusetts and cities and towns	2,919,528
United States Department of Transportation	1,270,932
Receivables for capital grants:	
Commonwealth of Massachusetts	33,308
United States Department of Transportation	1,294,853
Other accounts receivable, net	236,414
Other current assets	199,881
Total current assets	<u>7,946,602</u>
Noncurrent assets:	
Capital assets (note 8):	
Land	863,587
Transfer center and maintenance facility	17,208,095
Buses, fareboxes, and support vehicles	32,302,301
Miscellaneous equipment	5,656,487
Less accumulated depreciation	<u>(33,350,133)</u>
Total capital assets, net	22,680,337
Receivable from cities and towns	<u>1,174,333</u>
Total noncurrent assets, net	<u>23,854,670</u>
Total assets	31,801,272
Deferred outflows of resources related to pensions (note 9)	296,283
Deferred outflows of resources related to OPEB (note 10)	<u>119,084</u>
Total assets and deferred outflows of resources	<u>\$ 32,216,639</u>

Liabilities and Deferred Inflows

Current liabilities:	
Accounts payable and accrued expenses	\$ 992,871
Due to operators (note 5)	1,091,769
Accrued interest	<u>142,625</u>
Total current liabilities	2,227,265
Long term liabilities:	
Unearned revenue (note 7)	994,204
Notes payable (note 3)	6,300,000
Net pension liability (note 9)	794,622
Net OPEB liability (note 10)	<u>77,362</u>
Total liabilities	10,393,453
Deferred inflows of resources related to pensions (note 9)	26,033
Deferred inflows of resources related to OPEB (note 10)	<u>67,845</u>
Total liabilities and deferred inflows of resources	<u>\$ 10,487,331</u>

Net Position

Net investment in capital assets	\$ 22,099,499
Restricted	2,853
Unrestricted	(373,044)
Commitments and contingencies (note 11)	
Total net position	<u>\$ 21,729,308</u>

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

Operating revenues:	
Passenger fares	\$ 3,843,083
Reimbursement of maintenance	80,000
Facility and parking income	143,890
Advertising	88,140
Miscellaneous	84,875
Total operating revenues	<u>4,239,988</u>
Operating expenses:	
Transportation services	11,691,909
Materials, supplies, and maintenance	1,561,666
Insurance	857,496
Professional and management services	619,547
Marketing and advertising	6,660
Administrative and general	1,153,240
Total operating expenses, excluding depreciation	<u>15,890,518</u>
Depreciation	<u>3,875,342</u>
Total operating expenses, including depreciation	<u>19,765,860</u>
Operating loss	<u>(15,525,872)</u>
Nonoperating revenues (expenses):	
Local assessments	2,998,608
Contract assistance (note 4):	
Federal	1,818,876
Commonwealth of Massachusetts	6,983,107
Interest income	83,812
Interest expense	(129,214)
Total nonoperating revenues	<u>11,755,189</u>
Loss before reserves and capital grants	<u>(3,770,683)</u>
Extraordinary expense and stabilization fund reserves	<u>(104,658)</u>
Capital grants:	
Federal grants	547,147
Commonwealth of Massachusetts grant	1,540,839
Total capital grants	<u>2,087,986</u>
Increase in net position	(1,787,355)
Net position, beginning of year	23,553,180
Prior period restatement of net position	<u>(36,517)</u>
Net position, end of year	<u>\$ 21,729,308</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2019

Cash flows from operating activities:	
Passenger fares	\$ 3,829,142
Other cash receipts	326,752
Payments to operators	(12,391,300)
Payments to other vendors	<u>(3,681,645)</u>
Net cash used in operating activities	<u>(11,917,051)</u>
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	6,300,000
Principal paid on revenue anticipation notes	(6,200,000)
Contract assistance	11,988,937
Interest paid on revenue anticipation notes	<u>(98,534)</u>
Net cash provided by noncapital financing activities	<u>11,990,403</u>
Cash flows from capital and related financing activities:	
Receipt from capital grants	7,420,556
Purchase of capital assets	(7,857,371)
Proceeds from sale of fixed assets	<u>66,173</u>
Net cash used in capital and related financing activities	<u>(370,642)</u>
Cash flow from investing activity:	
Interest income	<u>83,812</u>
Net cash provided by investing activity	<u>83,812</u>
Net decrease in unrestricted cash and short term investments and restricted cash	(213,478)
Unrestricted cash and short term investments and restricted cash, beginning of year	<u>2,205,164</u>
Unrestricted cash and short term investments and restricted cash, end of year	<u>\$ 1,991,686</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (15,525,872)
Adjustments:	
Depreciation	3,875,342
Gain on sale of fixed assets	(66,173)
Change in deferred outflows - pension	(62,171)
Change in deferred inflows - pension	(38,905)
Change in deferred outflows - OPEB	(86,353)
Change in deferred inflows - OPEB	31,886
Changes in assets and liabilities:	
Other accounts receivable and other current assets	(3,980)
Payables and accrued expenses	(65,431)
Due to operators	(72,580)
Unearned revenue	(13,941)
Change in net pension liability	150,171
Change in net OPEB liability	<u>(39,044)</u>
Net cash used in operating activities	<u>\$ (11,917,051)</u>
Supplemental information:	
Decrease in accounts payable attributable to capital assets	\$ (5,764,684)

See accompanying notes to financial statements.

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

Statement of Fiduciary Net Position

June 30, 2019

Assets

	<u>OPEB Trust</u>
Cash and short term investments (note 6)	\$ 12,017
Investments:	
Fixed Income Mutual Funds	<u>590,245</u>
Total assets	<u>\$ 602,262</u>

Net Position

Net position restricted for postemployment benefits other than pensions	<u>\$ 602,262</u>
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See accompanying notes to financial statements.

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

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2019

		OPEB Trust
Additions:		
Employer Contributions	\$	<u>142,304</u>
Investment Income		
Net decrease in fair value of investments		9,155
Interest and dividends		10,444
Less: investment expense		<u>(2,292)</u>
Net investment income		<u>17,307</u>
Total additions		<u>159,611</u>
Deductions:		
Benefit Payments		<u>11,101</u>
Total deductions		<u>11,101</u>
Increase in net position		148,510
Net position, beginning of year		<u>453,752</u>
Net position, end of year	\$	<u><u>602,262</u></u>

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation - MassDOT)

Notes to Financial Statements

June 30, 2019

(1) The Authority and Operations

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

The following towns are also members of the Authority:

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

(2) Summary of Significant Accounting Policies

(a) Reporting Entity and Basis of Accounting

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

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

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation - MassDOT)

Notes to Financial Statements

June 30, 2019

Fiduciary Fund Component Unit: The Brockton Area Transit Authority Other Postemployment Benefits Trust ("OPEB Trust") was established for the sole purpose of providing funding for postemployment health care and other benefits provided by the Authority. The OPEB Trust is governed by three trustees, which shall include the BAT Administrator, chairman of the advisory board and the chairman of the audit subcommittee. The OPEB Trust is presented using the accrual basis of accounting and is reported as an OPEB trust fund in the fiduciary funds financial statement. The OPEB Trust did not issue a separate audited financial statement.

(b) Capital Assets

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the economic useful life of ten to thirty years for the transfer center and maintenance facility, five to twelve years for buses and support vehicles, twelve years for fareboxes, and three to ten years for miscellaneous equipment. In fiscal year 2017, the Authority reflected a change in estimate related to the useful lives of midlife overhaul vehicles from nine years to five years.

(c) Unearned Revenue

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

(d) Unrestricted Cash and Short Term Investments

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

(e) Investments

Investments of the Authority consist of short term investments in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool that is overseen by the Massachusetts State Treasurer. MMDT is recorded at its net asset value per share or NAV which equal to \$1.00 per share.

Investments of the OPEB Trust are reported at fair value. Fair value is based on quotations from a national securities exchange.

(f) 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.

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(g) 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.

(h) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Brockton 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.

(i) Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. 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.

(j) Statement of Net Position

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

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

(k) 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.

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(I) Recently Adopted Accounting Pronouncements

For the fiscal year ended June 30, 2019, the Authority adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 establishes criteria for the recognition of asset retirement obligations and enhances disclosures related to those asset retirement obligations. The adoption of GASB 83 had no effect on the Authority's net position at June 30, 2019, or its changes in net position for the year then ended.

For the fiscal year ended June 30, 2019, the Authority adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 requires more extensive footnote disclosures regarding debt. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of GASB 88 had no effect on the Authority's net position at June 30, 2019, or its changes in net position for the year then ended.

(3) Notes Payable

At June 30, 2019, the Authority had \$6,300,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 1.9190% and are due August 2, 2019.

	Outstanding at June 30, 2018	Issued	Retired	Outstanding at June 30, 2019
1.119% revenue anticipation note	\$ 6,200,000	—	(6,200,000)	—
1.9190% revenue anticipation note	—	6,300,000	—	6,300,000
Total	<u>\$ 6,200,000</u>	<u>6,300,000</u>	<u>(6,200,000)</u>	<u>6,300,000</u>

Subsequent to year-end, the Authority retired \$6,300,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of \$6,300,000 of revenue anticipation notes with a weighted average net interest cost of 2.5484%, and are due August 2, 2020.

(4) Grants

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

The Authority is also eligible for grants for operating or contract assistance from the United States Department of Transportation. Pursuant to Section IX of the Act, as amended, the federal government may fund up to 50% of the Authority's net cost of service, as defined. Such funds for fiscal year 2019 amounted to \$1,739,781.

In addition, for the year ended June 30, 2019, the Authority recognized \$79,095 for New Freedoms and Community Transit Grants.

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

(5) Due to Operators

The balance at June 30, 2019 of \$1,091,769 includes parts and supplies inventories purchased by the operators for use in the Authority's buses and is stated at lower of cost or market.

(6) Unrestricted Cash, Restricted Cash, and Short Term Investments

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

(a) Restricted Cash

Restricted cash is segregated from operating cash due to the following:

Capital asset purchases	\$ 2,853
Extraordinary reserve	599,646
Stabilization fund	<u>391,432</u>
Total	\$ 993,931

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. As of June 30, 2019, the bank balances of uninsured and uncollateralized deposits totaled \$221,131. The carrying amount of deposits totaled \$375,376 at June 30, 2019.

(c) Investment Policy

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

(d) Interest Rate Risk

As of June 30, 2019, the Authority's short term investment was in the MMDT. The fair value of the MMDT investment at June 30, 2019 was \$1,634,310, and its average maturity is less than one year.

(e) Credit Risk

As of June 30, 2019, the Authority's investment in the MMDT, was not rated.

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(f) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Because MMDT is measured at net asset value, it is not required to be measured within the fair value hierarchy described above.

(g) Liquidity

MMDT does not place any limitations or restrictions on participant withdrawals.

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

(a) Investment Summary

The OPEB Trust investments at June 30, 2019 are presented below. All investments are presented by investment type.

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<u>Debt securities:</u>			
Money market mutual funds	\$ 12,017	12,017	-
Fixed income mutual funds	590,245	590,245	-
Total investments	\$ 602,262	602,262	-

(b) Credit Risk

As of June 30, 2019, the OPEB Trust's investment in fixed income mutual funds were rated at AA+, and the investments in money market mutual funds was not rated.

As of June 30, 2019, the OPEB Trust's investments were not exposed to custodial or concentration credit risk.

(c) Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2019, the OPEB Trust's investments in debt securities of \$602,262 were all classified at Level 1 in the fair value hierarchy, which have been valued using quoted prices in the active markets for those securities.

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(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 \$599,646 (which represents approximately 20% of the applicable local assessment of \$2,998,608) is included in unearned revenue in the accompanying statement of net position.

Chapter 161B of the General Laws of the Commonwealth has been amended to allow the Authority to establish a stabilization fund, which can be accessed for capital improvements or to offset an unforeseen and dramatic loss of revenue within a fiscal year. The Authority maintains a stabilization fund in the amount of \$391,432, which is included in unearned revenue in the accompanying statement of net position.

(8) Capital Assets

Capital assets consisted of the following at June 30, 2019:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 863,587	—	—	863,587
Total capital assets not being depreciated	<u>863,587</u>	<u>—</u>	<u>—</u>	<u>863,587</u>
Capital assets being depreciated:				
Transfer center and maintenance facility	17,034,123	173,972	—	17,208,095
Buses, fareboxes and support vehicles	35,133,636	1,739,275	4,570,610	32,302,301
Miscellaneous equipment	<u>5,547,003</u>	<u>179,440</u>	<u>69,956</u>	<u>5,656,487</u>
Total capital assets being depreciated	<u>57,714,762</u>	<u>2,092,687</u>	<u>4,640,566</u>	<u>55,166,883</u>
Less accumulated depreciation for:				
Transfer center and maintenance facility	11,177,096	668,660	—	11,845,756
Buses, fareboxes and support vehicles	18,245,307	2,826,519	4,570,610	16,501,216
Miscellaneous equipment	<u>4,692,954</u>	<u>380,163</u>	<u>69,956</u>	<u>5,003,161</u>
Total accumulated depreciation	<u>34,115,357</u>	<u>3,875,342</u>	<u>4,640,566</u>	<u>33,350,133</u>
Total capital assets being depreciated, net	<u>23,599,405</u>	<u>(1,782,655)</u>	<u>—</u>	<u>21,816,750</u>
Capital assets, net	\$ <u>24,462,992</u>	<u>(1,782,655)</u>	<u>—</u>	<u>22,680,337</u>

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(9) Pension Plan

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

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

The System issues a publicly available report that can be obtained by submitting a request to the System at 1322 Belmont Street, #101, Brockton, Massachusetts 02301.

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

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

Contributions. Member contributions vary depending on the most recent date of membership. Members who entered the system prior to January 1, 1975 contribute 5% of regular compensation. Members who entered on or after January 1975 but prior to January 1, 1984 contribute 7% of regular compensation. Members who entered on or after January 1, 1984 but prior to July 1, 1996 contribute 8% of regular compensation. Members who entered on or after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined on or after January 1, 1979 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

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While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year. PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contribution to the pension plan for the year ended June 30, 2019 totaled \$70,280.

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

The System's net pension liability was measured as of December 31, 2018 (i.e. the measurement date as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

As of the measurement date the System reported a net pension liability of \$294,304,801 resulting in the Authority reporting a liability of \$794,622 for its proportionate share of the net pension liability in its June 30, 2019 Statement of Net Position. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the pension plan relative to the actual contributions of the participating employers.

The Authority's proportion was 0.27000% for fiscal year 2019 and 0.267178% for fiscal year 2018.

For the June 30, 2019 financial statements, the Authority recognized pension expense of \$125,929 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change of assumptions	\$ 43,437	—
Net difference between projected and actual earnings on pension plan investments	95,531	—
Difference between expected and actual experience	16,651	—
Changes in Authority's proportionate share	63,830	26,033
Contributions made subsequent to measurement date	76,834	—
Total	<u>\$ 296,283</u>	<u>26,033</u>

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The \$76,834 reported as deferred outflows of resources resulting from contributions made subsequent to measurement date will be recognized as a reduction in the net pension liability during fiscal year 2020. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2020	\$	57,766
2021		45,777
2022		49,133
2023		40,409
2024		331
Total	\$	<u>193,416</u>

Actuarial assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, and applied to all periods included in the measurement:

Inflation	3.00 %
Salary increases	Based on years of service, ranging from 4.25% to 7.00%
Investment rate of return	7.75 %
Cost of living adjustment	3.00% of the first \$12,000 annually

The mortality rates applicable to nondisabled participants were based on the RP-2000 Mortality Table projected generationally with Scale BB for males and females. Disabled retirees used the RP-2000 Mortality Table set forward three years for all disabled members.

The long-term expected rate of return on System investments was determined using a best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the System's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	12.00 %	6.20 %
Global equity	41.00	7.30
Domestic fixed income	15.50	3.60
International fixed income	6.00	6.30
Real estate	4.00	4.80
Alternatives	8.50	9.00
Other	4.00	4.00

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Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the pattern of contributions observed over the last five years. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Authority's proportionate share of the net pension liability	\$ 993,228	794,622	625,460

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

(10) Other Postemployment Benefit (OPEB) Disclosures

The Authority established an Other Postemployment Benefits (OPEB) Irrevocable Trust. The trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees. During the fiscal year ended June 30, 2019, the Authority changed the measurement date used in determining the net OPEB liability from the beginning of the fiscal year to the end of the fiscal year, as a result the net position as of June 30, 2018 was restated by \$36,517.

OPEB Trust Reporting – GASB 74

(a) Plan Membership

At June 30, 2019, membership consisted of 8 active plan members and 2 inactive plan members or beneficiaries currently receiving benefits.

(b) Benefits Provided

The Authority provides comprehensive medical insurance offered through Blue Cross Blue Shield of Massachusetts to retirees meeting the eligibility criteria as defined in the trust and their covered dependents.

(c) Contributions

Employees with less than 25 years of creditable service pay 50% of medical premiums; employees with 25 years or more of credible service pay 25% of medical premiums.

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For the fiscal year ended June 30, 2019, the employer contributions totaled \$142,304. The Trust did not receive contributions from any other sources.

(d) Investment Policy

The OPEB Trust's policy in regard to the allocation of investments is established and may be amended by the trustees. The following was the trustees adopted asset allocation policy as of June 30, 2019:

<u>Asset class</u>	<u>Target allocation</u>
Domestic fixed income	99.00 %
Cash	1.00

(e) Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 3.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(f) Net OPEB Liability of the Authority

The components of the net OPEB liability of the Authority at June 30, 2019 measurement date, were as follows:

Total OPEB liability	\$	679,624
Plan fiduciary net position		<u>(602,262)</u>
Authority's net OPEB liability	\$	<u><u>77,362</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		88.62%

Actuarial Assumptions. In the July 1, 2018 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.48% investment rate of return, 4.50% discount rate, and projected salary increases of 3% and long-term health care cost trend rate of 5%. Both the pre-retirement and post-retirement mortality are represented by the RP-2000 mortality table projected generationally with scale BB and base year of 2009 for males and females.

The long-term expected rate of return on OPEB Trust investments was determined using a best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the OPEB Trust's target asset allocation as of June 30, 2019 are summarized in the following table:

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<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Domestic fixed income	2.00 %
Cash	—

Discount Rate. The discount rate used to measure the total OPEB liability was 4.50%. The discount rate was selected using a blend of the Municipal Bond Index Rate (2.79% at June 30, 2019) for unfunded periods and the Investment Rate of Return (4.49% at June 30, 2019) for funded periods.

Authority Reporting – GASB 75

(g) Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2019 for the year ended June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

(h) Changes in the Net OPEB Liability

	<u>Increase (decrease)</u>		
	<u>Total OPEB liability</u>	<u>Plan fiduciary net position</u>	<u>Net OPEB liability</u>
Balances at June 30, 2018 - measurement date	\$ 570,158	453,752	116,406
Changes for the year:			
Service cost	29,680	-	29,680
Interest	26,746	-	26,746
Changes in assumptions	(48,077)	-	(48,077)
Differences between expected and actual experience	112,218	-	112,218
Contributions	-	142,304	(142,304)
Net investment income	-	17,307	(17,307)
Benefit payments	(11,101)	(11,101)	-
Net changes	<u>109,466</u>	<u>148,510</u>	<u>(39,044)</u>
Balances at June 30, 2019 - measurement date	\$ <u>679,624</u>	<u>602,262</u>	<u>77,362</u>

Sensitivity of the total OPEB liability to changes in the discount rate. In the event the discount rate were 1% higher or lower than forecast and employee contributions were to increase at the forecast rates, the total OPEB liability as of the June 30, 2019 measurement date would change as follows:

	<u>1% Decrease (3.50%)</u>	<u>Current discount rate (4.50%)</u>	<u>1% Increase (5.50%)</u>
	Net OPEB liability (asset)	\$ 184,443	77,362

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Sensitivity of the total OPEB liability to changes in the healthcare trend. In the event that healthcare trend rates were 1% higher or lower than forecast and employee contributions were to increase at the forecast rates, the total OPEB liability as of the June 30, 2019 measurement date would change as follows:

	<u>1% Decrease (4.00%)</u>	<u>Current trend rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Net OPEB liability (asset)	\$ (19,714)	77,362	201,827

(i) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$48,793. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 93,327	27,861
Net difference between projected and actual earnings on OPEB plan investments	25,757	—
Changes in assumptions	<u>—</u>	<u>39,984</u>
Total	<u>\$ 119,084</u>	<u>67,845</u>

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

Year ended June 30:	
2020	\$ 12,695
2021	12,697
2022	7,860
2023	7,836
2024	<u>10,151</u>
Total	<u>\$ 51,239</u>

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(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, 2019.

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

The Administrator, date of hire July 7, 1980, compensation through May 1, 2019 was \$122,291. The Administrator has waived the family health insurance plan in FY2019.

The Administrator, date of hire of May 1, 2019, compensation for fiscal year 2019 was \$19,154. The Administrator has waived the family health insurance plan in FY2019.

The Chief Financial Officer (CFO), date of hire of February 15, 1999, compensation for fiscal year 2019 was \$103,625. The CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

Advisory Board members and officers do not receive compensation.

(13) Subsequent Events

The Authority has evaluated events subsequent to June 30, 2019 through September 26, 2019, the date the financial statements were available for issuance, and determined that other than the RAN refinancing discussed in Note 3, there are no material items that would require recognition or disclosure in the Authority's financial statements.

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Required Supplementary Information (unaudited)

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.27000%	0.26718 %	0.21998 %	0.21953 %	0.25170 %
Authority's proportionate share of the net pension liability	\$ 794,622	644,451	528,549	523,440	459,550
Authority's covered payroll	656,845	521,461	495,684	495,684	361,871
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	121.0%	123.6%	106.6%	105.6 %	127.0%
Plan fiduciary net position as a percentage of total pension liability	57%	63%	61%	60%	67%

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

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Required Supplementary Information (unaudited)
Schedule of Employer Contributions – Pension
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's contractually required contribution	\$ 70,280	66,833	44,159	42,348	48,553
Authority's contributions in relation to the contractually required contribution	<u>70,280</u>	<u>66,833</u>	<u>44,159</u>	<u>42,348</u>	<u>48,553</u>
Contribution deficiency (excess)	\$ —	—	—	—	—
Authority's covered payroll	\$ 656,845	521,461	495,684	495,684	361,871
Contributions as a percentage of covered payroll	11%	13%	9%	9%	13%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

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

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

See accompanying independent auditors' report.

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

Required Supplementary Information (unaudited)

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 29,680	30,770	31,987
Interest	26,746	24,700	24,870
Differences between actual and expected experience	112,218	—	(52,155)
Changes in assumptions	(48,077)	—	—
Benefit payments	<u>(11,101)</u>	<u>(6,732)</u>	<u>(7,866)</u>
Net change in total OPEB liability	109,466	48,738	(3,164)
Total OPEB liability - beginning	<u>570,158</u>	<u>521,420</u>	<u>524,584</u>
Total OPEB liability - ending (a)	<u>\$ 679,624</u>	<u>570,158</u>	<u>521,420</u>
Plan fiduciary net position			
Contributions - Employer	142,304	17,326	—
Net investment income	17,307	(2,529)	(3,821)
Benefit payments	<u>(11,101)</u>	<u>(6,732)</u>	<u>(7,866)</u>
Net change in plan fiduciary net position	148,510	8,065	(11,687)
Plan fiduciary net position - beginning	<u>453,752</u>	<u>445,687</u>	<u>457,374</u>
Plan fiduciary net position - ending (b)	<u>\$ 602,262</u>	<u>453,752</u>	<u>445,687</u>
Authority's net OPEB liability - ending (a) - (b)	<u>\$ 77,362</u>	<u>116,406</u>	<u>75,733</u>
Plan fiduciary net position as a percentage of the total OPEB liability	88.62%	79.58%	85.48%
Covered Payroll	\$ 641,518	608,457	608,457
Authority's net OPEB liability as a percentage of covered payroll	12.06%	19.13%	12.45%

* Per paragraph 62 of GASB Statement No. 74, the Authority is not required to retrospectively present its 10 year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 74.

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Required Supplementary Information (unaudited)
Schedule of Employer Contributions – OPEB
Last 10 Fiscal Years*

	<u>2018</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 34,225	35,219	36,436
Contributions in relation to the actuarially determined contribution	<u>142,304</u>	<u>17,326</u>	<u>—</u>
Contribution deficiency (excess)	\$ <u>(108,079)</u>	<u>17,893</u>	<u>36,436</u>
Covered payroll	\$ 641,518	608,457	608,457
Contributions as a percentage of covered payroll	22%	3%	0%

Notes to Schedule:

Methods and assumptions used to determine contribution rates are included in footnote 10

* Per paragraph 62 of GASB Statement No. 74, the Authority is not required to retrospectively present its 10 year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 74.

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
 (A Component Unit of the Massachusetts Department of Transportation - MassDOT)
 Required Supplementary Information (unaudited)
 Schedule of Investment Returns – OPEB Trust
 Last 10 Fiscal Years*

	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	3.81%	-0.57%	-0.84%

* Per paragraph 62 of GASB Statement No. 74, the Authority is not required to retrospectively present its 10 year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 74.

See accompanying independent auditors' report.

Schedule 1

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation- MassDOT)

Supplemental Schedule of Net Cost of Service

Year ended June 30, 2019

	<u>Total urbanized area service</u>
Operating costs:	
Operating and administrative costs (excluding depreciation)	\$ 1,289,241
Purchased services:	
Fixed route	10,797,222
Demand response	3,804,055
Debt service – interest expense	129,214
Total operating costs	<u>16,019,732</u>
Federal operating assistance:	
Federal Transportation Administration operating and administrative	1,739,781
Other Federal	79,095
Total federal operating assistance	<u>1,818,876</u>
Revenues:	
Operating:	
Farebox revenue	2,762,119
Service and other third-party reimbursements	1,160,964
Other revenue:	
Advertising	88,140
Facility and parking income	143,890
Interest income	83,811
Miscellaneous	84,875
Total revenues	<u>4,323,799</u>
Net operating deficit	9,877,057
Adjustment:	
Extraordinary expenses reserve	14,658
Stabilization fund	90,000
Net cost of service	<u>9,981,715</u>
Net cost of service funding:	
Local assessments	2,998,608
State contract assistance	<u>6,983,107</u>
Subtotal state contract assistance to be funded	<u>—</u>
Balance requested from the State on June 30, 2019	<u><u>\$ —</u></u>

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation - MassDOT)

Supplemental Schedule of Net Cost of Service – Calculation Worksheet

Year ended June 30, 2019

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	\$	15,573,991
	Allowable percentage increase		<u>2.5 %</u>
	Prior year net operating expense times 2.5%		<u>389,350</u>
	Current year allowable net operating expense	\$	<u><u>15,963,341</u></u>
B.	Extraordinary expenses	\$	14,658
	Prior year local assessment		<u>2,998,608</u>
	Percentage of extraordinary to prior year local assessment (not to exceed 3%)		<u>0.49%</u>
C.	Aggregate amount of reserve account at June 30	\$	599,646
	Prior year local assessment		<u>2,998,608</u>
	Percentage of reserve account to prior year local assessment (not to exceed 20%)		<u>20.00%</u>
D.	State the management fee paid to major service providers as a percentage of operating costs incurred		1.50%
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		90,000
	Aggregate balance	\$	391,432

See accompanying independent auditors' report.

