

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the  
Massachusetts Department of Transportation)

**ANNUAL FINANCIAL STATEMENTS**

Year Ended June 30, 2015

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

June 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the Southeastern Regional Transit Authority  
New Bedford, Massachusetts

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Southeastern Regional Transit Authority ("the Authority") 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southeastern Regional Transit Authority, as of June 30, 2015, 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.

*Continued*

## SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

### Emphasis of Matter – Adoption of GASB Statement No. 68

As discussed in Note 1 to the financial statements, during fiscal year 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### 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 3 through 9 and certain pension information on pages 40 through 45 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 opinion on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison, the statement of revenue and cost of service, and the statement of unreimbursed cost of service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was 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 accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison, the statement of revenue and cost of service, and the statement of unreimbursed cost of service 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 our report dated on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
September 11, 2015

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited)

June 30, 2015

The Authority's discussion and analysis of Southeastern Regional Transit Authority's financial performance provides an overview of the Authority's financial activities for the years ended June 30, 2015 and June 30, 2014. 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. The summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the Authority's revenues and expenses.

Please read this management discussion and analysis in conjunction with the Authority's basic financial statements, which begin on page 10.

**FINANCIAL Highlights:**

- Total operating revenue increased slightly from \$2,500,820 in fiscal year 2014 to \$2,509,091 in fiscal year 2015.
- The operating expenses decreased from \$17,958,062 in fiscal year 2014 to \$17,639,735 in fiscal year 2015.
- Operating assistance from the Commonwealth increased during fiscal year 2015 and federal operating assistance decreased during fiscal year 2015.

*Using the Annual Report:*

This annual report consists of four parts - *management discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *supplementary information*.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special purpose government engaged in only business-type activities.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements consist of the statement of net position, the statement of activities and the statement of cash flows. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position of Southeastern Regional Transit Authority. The statement of net position presents the assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. The statement of activities shows in broad terms how the net position changed during the fiscal year. The statement of cash flows summarizes the movement of cash and the utilization of resources during the year. The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. There are three allowable categories of net position as prescribed under GASB 34; net position invested in capital assets, net of related debt; net position that is restricted in use, and net position that is unrestricted.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2015

**CONDENSED FINANCIAL INFORMATION**

**Net Position.** The Authority's net position decreased between fiscal years ended June 30, 2015 and June 30, 2014 primarily due to a net loss before capital grants and the implementation of GASB Statement No. 68. The cost of service in excess of revenue is reimbursed by Commonwealth of Massachusetts operating assistance, with a portion of net cost of service assessed to the cities and towns served by the Authority. The remainder is funded through federal operating assistance pursuant to Section 9 of the Urban Mass Transportation Act of 1964. See Table 1.

**Table 1**

	<u>2015</u>	<u>2014</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Assets:				
Current assets	\$ 7,121,597	8,249,209	\$ (1,127,612)	-13.7%
Capital assets	<u>22,322,307</u>	<u>24,243,669</u>	<u>(1,921,362)</u>	<u>-7.9%</u>
Total assets	<u>29,443,904</u>	<u>32,492,878</u>	<u>(3,048,974)</u>	<u>-9.4%</u>
Deferred outflows:				
GASB 68 related deferred outflows	<u>172,473</u>	<u>-</u>	<u>172,473</u>	<u>0.0%</u>
Total deferred outflows of resources	<u>172,473</u>	<u>-</u>	<u>172,473</u>	<u>0.0%</u>
Liabilities:				
Current liabilities	5,205,600	6,298,494	(1,092,894)	-17.4%
Long-term liabilities	<u>3,896,181</u>	<u>6,105,742</u>	<u>(2,209,561)</u>	<u>-36.2%</u>
Total liabilities	<u>9,101,781</u>	<u>12,404,236</u>	<u>(3,302,455)</u>	<u>-26.6%</u>
Deferred inflows:				
GASB 68 related deferred inflows	<u>1,795,154</u>	<u>-</u>	<u>1,795,154</u>	<u>100.0%</u>
Total deferred inflows of resources	<u>1,795,154</u>	<u>-</u>	<u>1,795,154</u>	<u>100.0%</u>
Net position:				
Unrestricted	(4,830,309)	(7,230,038)	2,399,729	-33.2%
Restricted	1,227,444	3,075,011	(1,847,567)	-60.1%
Investment in capital assets, net of related debt	<u>22,322,307</u>	<u>24,243,669</u>	<u>(1,921,362)</u>	<u>-7.9%</u>
Total net position	<u>\$ 18,719,442</u>	<u>\$ 20,088,642</u>	<u>\$ (1,369,200)</u>	<u>-6.8%</u>

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
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Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2015

**Changes in Net Position.** The Authority's total operating revenue increased by 0.3% to \$2,509,091. The change was caused by a revised fare structure coupled with increased ridership and reductions in other revenues during fiscal year 2015. Operating expenses also decreased by \$318,327 in the current year due to reductions in operator costs and other costs of service.

**Table 2**

	<u>2015</u>	<u>2014</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Operating revenue:				
Service revenue	\$ 2,373,961	\$ 2,328,644	\$ 45,317	1.9%
Other income	135,130	172,176	(37,046)	-21.5%
Total operating revenue	<u>2,509,091</u>	<u>2,500,820</u>	<u>8,271</u>	<u>0.3%</u>
Operating expenses:				
Operator costs	11,674,945	11,985,465	(310,520)	-2.6%
General and administrative	2,052,418	1,751,653	300,765	17.2%
Depreciation	2,561,654	2,574,125	(12,471)	-0.5%
Other costs of service	1,350,718	1,646,819	(296,101)	-18.0%
Total operating expenses	<u>17,639,735</u>	<u>17,958,062</u>	<u>(318,327)</u>	<u>-1.8%</u>
Operating gain (loss)	<u>(15,130,644)</u>	<u>(15,457,242)</u>	<u>(636,654)</u>	<u>-2.1%</u>
Nonoperating revenues/(expenses):				
Local assessment	2,538,672	2,144,992	393,680	18.4%
State assistance	5,625,381	4,907,660	717,721	14.6%
Federal assistance	4,979,916	5,887,569	(907,653)	-15.4%
Other nonoperating revenue/(expense) net:	23,396	27,145	(3,749)	-13.8%
Total nonoperating revenues/(expenses):	<u>13,167,365</u>	<u>12,967,366</u>	<u>(911,402)</u>	<u>-29.2%</u>
Net loss before capital grants	(1,963,279)	(2,489,876)	(1,548,056)	-21.1%
Capital grants and contributions	594,079	3,675,736	(3,081,657)	-83.8%
Increase (decrease) in net position	(1,369,200)	1,185,860	(2,555,060)	-215.5%
Net position, beginning of year	<u>20,088,642</u>	<u>18,902,782</u>	<u>1,185,860</u>	<u>6.3%</u>
Net position, end of year	<u>\$ 18,719,442</u>	<u>\$ 20,088,642</u>	<u>\$ (1,369,200)</u>	<u>-6.8%</u>

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2015

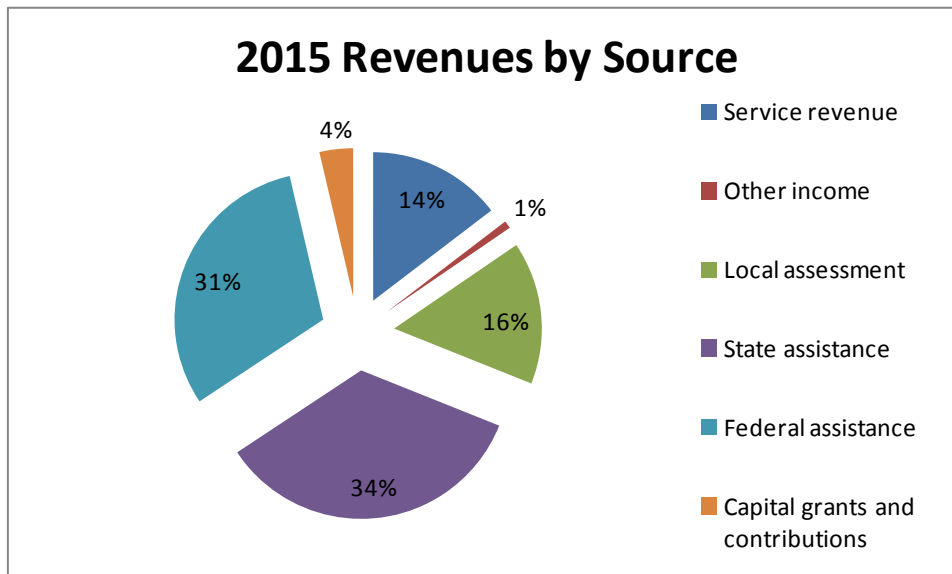
**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Approximately 69% for 2015 and 76% for 2014 of the Authority support comes from federal and state operating assistance and from federal and state capital grants and contributions. The capital grants are to be used for various purposes connected with the planning, modernization and expansion of transportation and facilities. These grants are deferred until such time as the related facilities are put into service. Then the grants are amortized over the estimated useful life of the assets as a reduction of unreimbursed cost of service. The remaining revenues of service, other revenue and local assessments to member communities generate approximately 14%, 1% and 16% respectively for 2015 and 12%, 1% and 11% respectively for 2014. See Table 3.

The operation of bus service is contracted to Southcoast Transit Management, Inc. and a management fee is paid. Transportation service expenses are reimbursed to Southcoast Transit Management weekly upon receipt of an invoice detailing the 2015 weekly expenses. Approximately 66% of the operating cost relates to the cost of transportation services (i.e., salaries and fringe benefits) with 14% of the operating cost representing non-cash depreciation and amortization costs for 2015 as well as 12% of the costs relating to general and administrative costs. See Table 4.

Approximately 67% of the operating cost relates to the cost of transportation services (i.e. salaries and fringe benefits) with 14% of the operating cost representing non-cash depreciation and amortization costs for 2014.

*Table 3*



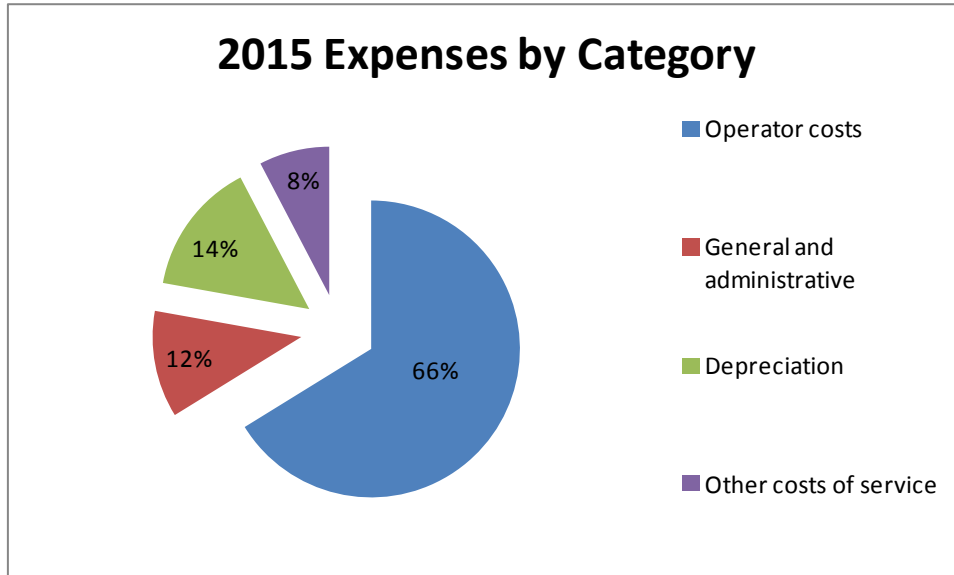


**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
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Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2015

**Table 4**



**DISCUSSION AND ANALYSIS OF BALANCES AND TRANSACTIONS**

The Authority finished the current year with an decrease in net position of \$1,369,200. The decrease is a result of rising depreciation costs and a pension expense recorded as required by GASB Statement No. 68.

The Authority's capital improvement program provides for the replacement and expansion of the present bus fleet and other transportation equipment and the construction of the bus loading facilities, of which \$68,972,616 has been approved for grant spending through June 30, 2015. (See Note 2)

**DISCUSSION AND ANALYSIS OF SIGNIFICANT BUDGET VARIANCES**

The Authority did not make any revisions to its budget over the course of the year and therefore, the reported final budget represents original amounts. The unfavorable variances in the budget for fiscal year ended June 30, 2015 relate to Federal Operating assistance and fixed route costs of service, as the Authority obligated \$1,262,236 less than expected of Section 5307 funds due to overall favorable variances in both total revenues and total expenses. Favorable variances were present in all other line items. See the "Supplementary Information" section for more information.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
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Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2015

**DISCUSSION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY DURING THE YEAR**

At the end of fiscal year 2015, the Authority had invested \$44,451,353 in property, plant and equipment. \$16,104,380 had been invested in buildings and improvements; \$403,968 is invested in non-depreciable assets (land and construction in progress) with the remaining \$27,943,005 in buses and equipment. This amount represents an 0.8% increase or \$333,696 over fiscal year 2014 when the Authority had \$44,117,657 invested in property, plant and equipment of which \$15,092,730 had been invested in buildings and improvements, \$1,083,385 was invested in non-depreciable assets, with the remaining \$27,941,542 in buses and equipment. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

	<u>2015</u>	<u>2014</u>	<u>Change in Balances</u>
Land	\$ 326,611	\$ 326,611	\$ -
Construction in progress	77,357	756,774	(679,417)
Building and improvements, net	9,004,072	8,518,064	486,008
Buses and equipment, net	11,736,806	13,338,470	(1,601,664)
Service equipment, net	380,787	384,375	(3,588)
Furniture and fixtures, net	75,253	13,205	62,048
Computers, net	193,074	237,916	(44,842)
Planning, net	528,347	527,233	1,114
Total	<u>\$ 22,322,307</u>	<u>\$ 24,102,648</u>	<u>\$ (1,780,341)</u>

As of June 30, 2015 the Authority had \$3,628,410 in revenue bonds outstanding at the end of the fiscal year. The purpose of these bonds is to provide cash flow when the revenue from the FTA, Local Assessment and State Contract Assistance is received at a later date. Under Chapter 161B of the Massachusetts General Laws, the Commonwealth is required to pay principal and interest that is due on any of the Authority bonds issued when the Authority does not have the funds available. The amount of revenue bonds outstanding at June 30, 2015 is \$3,628,410 which is less than the \$4,701,453 outstanding at fiscal year ended 2014 as a result of new state legislative approving "forward funding" of regional transit authorities.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Federal Transit funding continues to face challenges. In September 2015, Congress authorized the transit funding for Federal Fiscal Year 2015. This is important to note as the final appropriation was put in place with one month remaining in the fiscal year. This demonstrates that at best Federal Transit continues to be volatile. There is little serious discussion about a new multi-year appropriations bill.

The legislature has increased its FY16 State Contract Assistance funding to the Regional Transit Authorities by \$2,000,000. It is anticipated that this increase will be divided amongst the Regional Transit Authorities to help cover inflationary expenses. As a result, the Authority should see an additional \$140,634 for a total of \$5,766,015, in Fiscal Year 2016.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

June 30, 2015

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

The 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 Kristen A. Sniezek, Chief Financial Officer, Southeastern Regional Transit Authority, 700 Pleasant Street, First Floor, New Bedford, MA 02740-6263.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2015

	<b>OPERATING</b>	<b>STABILIZATION</b>	<b>TOTAL</b>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,410,108	\$ -	\$ 1,410,108
Receivables:			
State grants receivable	32,643	-	32,643
Local assessment receivable	2,713,055	-	2,713,055
Federal grants receivable	1,110,508	-	1,110,508
Other receivables	46,577	-	46,577
Due from operating account	-	798,262	798,262
Inventory	903,291	-	903,291
Prepaid expenses	107,153	-	107,153
Total current assets	6,323,335	798,262	7,121,597
Non-Current Assets:			
Land	326,611	-	326,611
Construction in progress	77,357	-	77,357
Building and improvements, net	9,004,072	-	9,004,072
Buses and equipment, net	11,736,806	-	11,736,806
Service equipment, net	380,787	-	380,787
Furniture and fixtures, net	75,253	-	75,253
Computers, net	193,074	-	193,074
Planning, net	528,347	-	528,347
Total non-current assets	22,322,307	-	22,322,307
Total assets	\$ 28,645,642	\$ 798,262	\$ 29,443,904
<b>Deferred outflows of resources</b>			
GASB 68 - New Bedford Plan - actual versus expected experience	16,716		16,716
GASB 68 - Hourly Plan - actual versus expected experience	115,645		115,645
GASB 68 - Hourly Plan - changes of assumptions	29,697		29,697
GASB 68 - Salaried Plan - changes of assumptions	10,415		10,415
Total deferred outflows of resources	172,473	-	172,473
Total assets and deferred outflows of resources	\$ 28,818,115	\$ 798,262	\$ 29,616,377

The notes to the basic financial statements are an integral part of this statement

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position (Continued)

June 30, 2015

	<b>OPERATING</b>	<b>STABILIZATION</b>	<b>TOTAL</b>
<b>Liabilities</b>			
Current liabilities:			
Revenue anticipation notes payable	\$ 3,628,413	\$ -	\$ 3,628,413
Accounts payable and other liabilities	216,453	-	216,453
Due to operator	436,158	-	436,158
Accrued salaries payable	96,106	-	96,106
Accrued interest payable	30,208	-	30,208
Due to stabilization	798,262	-	798,262
Total current liabilities	5,205,600	-	5,205,600
Non-Current Liabilities:			
Net pension liability	3,250,275		3,250,275
Compensated absences, net of current portion	645,906	-	645,906
Total non-current liabilities	3,896,181	-	3,896,181
Total liabilities	9,101,781	-	9,101,781
<b>Deferred inflows of resources</b>			
GASB 68 - Hourly Plan - difference of projected versus actual earnings	1,296,962	-	1,296,962
GASB 68 - Salaried Plan - difference of projected versus actual earnings	498,192	-	498,192
Total deferred inflows of resources	1,795,154	-	1,795,154
<b>Net Position</b>			
Unrestricted	\$ (4,830,309)	\$ -	\$ (4,830,309)
Restricted:			
Stabilization fund (MGL Ch.161B s.26)	-	798,262	798,262
Fall River terminal project	188	-	188
Extraordinary repairs reserve (MGL Ch.161B s.6(q))	428,994	-	428,994
Investment in capital assets:			
Net of accumulated depreciation	494,462	-	494,462
Net of accumulated amortization	21,827,845	-	21,827,845
Total net position	\$ 17,921,180	\$ 798,262	\$ 18,719,442

The notes to the basic financial statements are an integral part of this statement

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2015

	<b>OPERATING</b>	<b>STABILIZATION</b>	<b>TOTAL</b>
Operating revenues:			
Service revenue	\$ 2,373,961	\$ -	\$ 2,373,961
Advertising income	54,093	-	54,093
Other income	81,037	-	81,037
Total operating revenues	2,509,091	-	2,509,091
Operating expenses:			
Cost of service			
Salaries	8,405,992	-	8,405,992
Fringe	1,943,025	-	1,943,025
Materials and supplies	823,632	-	823,632
Miscellaneous	30,188	-	30,188
Utilities	148,603	-	148,603
Office expense and services	323,505	-	323,505
Subtotal - Cost of service	11,674,945	-	11,674,945
Additional costs of service:			
Depreciation	2,561,654	-	2,561,654
Diesel fuel and gasoline	1,037,262	-	1,037,262
Management fees paid to operator	313,456	-	313,456
Subtotal - additional costs of service:	3,912,372	-	3,912,372
Total operating expenses:	15,587,317	-	15,587,317
Administrative expenses:			
Salaries and fringe	511,927	-	511,927
Advertising	2,033	-	2,033
Professional fees	120,225	-	120,225
Office expense	48,514	-	48,514
Other administrative expense	90,539	-	90,539
Insurance expense	724,443	-	724,443
Pension expense	554,737	-	554,737
Total administrative expenses:	2,052,418	-	2,052,418
Operating income (loss):	(15,130,644)	-	(15,130,644)

The notes to the basic financial statements are an integral part of this statement

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

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

For the Year Ended June 30, 2015

	<u>OPERATING</u>	<u>STABILIZATION</u>	<u>TOTAL</u>
Nonoperating revenues (expenses):			
Local assessment (MGL Ch.161B s.9)	\$ 2,538,672	\$ -	\$ 2,538,672
State operating assistance (MGL Ch.161B s.23)	5,625,381	-	5,625,381
Federal - operating assistance (49 USC 5307(d)(2))	4,615,946	-	4,615,946
Federal - preventative maintenance (49 USC 5307(d)(1))	363,970	-	363,970
Federal - JARC (49 USC 5311(b)(1)(d))	28,049	-	28,049
Disposition of capital assets	6,100	-	6,100
Interest income	6,810	-	6,810
Interest expense	(34,614)	-	(34,614)
Amortization of premium	17,051	-	17,051
Total nonoperating revenues (expenses)	<u>13,167,365</u>	<u>-</u>	<u>13,167,365</u>
Net loss before capital grants	<u>(1,963,279)</u>	<u>-</u>	<u>(1,963,279)</u>
Capital Grants:			
Federal	304,663	-	304,663
Commonwealth of Massachusetts	289,416	-	289,416
Total capital grants	<u>594,079</u>	<u>-</u>	<u>594,079</u>
Increase (decrease) in net position	(1,369,200)	-	(1,369,200)
Net position, beginning of year	<u>19,290,380</u>	<u>798,262</u>	<u>20,088,642</u>
Net position, end of year	<u>\$ 17,921,180</u>	<u>\$ 798,262</u>	<u>\$ 18,719,442</u>

The notes to the basic financial statements are an integral part of this statement

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

For the Year Ended June 30, 2015

Cash flows from operating activities:

Cash received from federal, state and local governments	\$ (429,864)
Cash received from passenger fares	2,373,961
Cash received from rentals, parking and other	135,130
Cash paid to operators, other vendors and employees	<u>(15,742,198)</u>
 Net cash provided (used) by operating activities	 <u>(13,662,971)</u>

Cash flows from noncapital financing activities:

Operating and contract assistance	12,986,484
Net proceeds from sale of revenue anticipation notes	3,625,000
Principal payments made on anticipation notes	(4,700,000)
Interest payments on anticipation notes	<u>(14,694)</u>
 Net cash used in noncapital financing activities	 <u>11,896,790</u>

Cash flows from capital and related financing activities:

Capital revenue from state and federal capital grants	829,817
Purchase of capital assets from reserve funds	(4,500)
Purchase of capital assets	<u>(629,689)</u>
 Net cash provided (used) by capital and related financing activities	 <u>195,628</u>

Cash flows from investing activities:

Interest income on invested funds	<u>6,810</u>
 Net cash provided (used) in investing activities	 <u>6,810</u>

Net increase (decrease) in cash (1,563,743)

Cash and cash equivalents at beginning of year 2,973,851

Cash and cash equivalents at end of year \$ 1,410,108

Displayed at June 30, 2015 as:

Cash and cash equivalents: \$ 1,410,108



**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2015

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ (15,130,644)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization	2,561,654
(Increase) decrease in accounts receivable	(429,864)
(Increase) decrease in inventory	(67,635)
(Increase) decrease in prepaid expenses	11,164
(Increase) decrease in deferred outflows of resources	(172,473)
Increase (decrease) in accounts payable and accrued expenses	(186,230)
Increase (decrease) in accrued salaries payable	(132,729)
Increase (decrease) in accrued pay/compensated absences	56,549
Increase (decrease) in due to operator	298,192
Increase (decrease) in net pension liability (NPL)	(2,266,109)
Increase (decrease) in deferred inflows of resources	<u>1,795,154</u>
Subtotal	<u>1,467,673</u>
Net cash provided (used) by operating activities	<u><u>\$ (13,662,971)</u></u>

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2015

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the Southeastern Regional Transit Authority (“the Authority”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

***Reporting Entity***

The Southeastern Regional Transit Authority (“the Authority”) was established on April 24, 1974 and commenced operations on July 1, 1974, pursuant to Chapter 1141 of the Acts of 1973 of the Commonwealth of Massachusetts (“the Commonwealth”), Massachusetts General Law 161B to provide public transportation for the territory comprised of the cities of New Bedford and Fall River and the Towns of Acushnet, Dartmouth, Fairhaven, Freetown, Mattapoisett, Somerset, Swansea and Westport. Beginning in 1974, the Authority entered into an operating agreement with a contracted operator who would provide public transportation in the Authority’s service area at levels and on routes specified by the Authority, as required by MGL Chapter 161B, Section 25.

Such agreements are put out to bid in three year intervals, the most recent agreement beginning on November 1, 2011. The Authority has the exclusive right and option to extend the agreement for two additional one year terms. The Authority has the right to terminate the agreement in writing, 90 days prior to the end of the term or with 90 days’ notice upon termination based on good cause, for lack of funding for the transit system or for convenience. The Authority provides the full financial support necessary to reimburse the operator for losses sustained in the operating of service, plus an annual management fee for each year of the contract.

The financial statements present information on activities of the Authority for which the Advisory Board has oversight responsibility. The criteria, as established by the Governmental Accounting Standards Board, for inclusion of activities in the oversight entity’s financial statements are: selection of governing authority, designation of management, ability to significantly influence operations, accountability over fiscal matters and scope of public service. Accordingly, the accompanying statements of revenue, expenses and changes in net position include the revenues and expenses of the operator incurred in the operation of transportation services.

***Component Units***

In conformity with accounting principles generally accepted in the United States of America, management has evaluated any potential component units being considered for inclusion in the financial reporting entity.

GASB Statement No. 61 modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and applicable financial reporting entity disclosure requirements. Based on GASB Statement No. 61 guidance, organizations that previously were required to be included as a component units by meeting the fiscal dependence criterion now must also have a "financial benefit or burden relationship" present between the primary government and that organization for it to be included in the reporting entity as a component unit. Pursuant to this GASB pronouncement, no component units were identified based on management’s evaluation for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Commonwealth’s Department of Transportation.

***Basis of Accounting***

The operations of the Authority are accounted for as an enterprise fund on the accrual basis in order to recognize the form of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operations of the Authority are included in the Statement of Net Position. Operating revenues and expenses result from providing transportation services to member communities. All other revenue and expenses are reported as nonoperating revenue and expenses.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

*Basis of Accounting (Continued)*

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting*, the Authority has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

*Budgeting*

Under Massachusetts General Law Chapter 161B, Section 8h, the Authority adopts an annual operating budget for the planning and administrative activities. The budgeting process enables the Authority to determine the annual contributions required from the member jurisdictions and the Commonwealth of Massachusetts to fund its planning and administrative activities. The budget is prepared on the accrual basis. Depreciation/amortization of grants are not recognized as an expense as these expenses are not budgeted each year. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

*Unreimbursed Cost of Service*

Massachusetts General Law Chapter 161B Section 10, provides that the Commonwealth shall reimburse the Authority for the Net Cost of Service, as defined by MGL Chapter 161B Section 1. The Net Cost of Service includes a charge equal to the payments made on long-term debt during the period, but does not include charges for depreciation/amortization or grants for operating assistance from the Federal Department of Transportation. The Net Cost of Service is that amount remaining of the net operating expense after the local assessment is taken. This balance is the contracted amount owed by the Commonwealth as State Contract Assistance.

The cost of service in excess of revenue presented in the accompanying Statements of Revenue, Expenses and Changes in Net Position differs from the Net Cost of Service because the Authority follows generally accepted accounting principles for financial reporting purposes. The following table reconciles the Authority's cost of service in excess of revenue to its Net Cost of Service for the year ended June 30, 2015.

Balance at beginning of year	<u>\$</u>	-
Cost of service in excess of revenue		<u>(15,733,670)</u>
Expenses not reimbursable and other operating assistance:		
Depreciation and amortization in excess of principal payments on long-term debt		2,561,654
Local assistance		2,538,672
Federal operating assistance including associated capital maintenance and expanded services		5,007,965
Rounding differences		<u>(2)</u>
Net cost of service		<u>(5,625,381)</u>
Net cost of service reimbursed by the Commonwealth		<u>5,625,381</u>
Over reimbursement of cost of service	<u>\$</u>	<u>-</u>

For financial reporting purposes, the Authority follows the generally accepted accounting principle of depreciating the cost of property over its estimated useful life. The cumulative excess and principal payments on long-term debt are charged to the unreimbursed cost of service account and are recovered in years when the sum of grant amortization and principal payments made on long-term debt exceed depreciation.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and amounts on deposit with banks, including certificates of deposit with maturities of 90 days or less.

*Grants and Other Receivables*

The Authority carries its accounts receivable at an amount equal to uncollected but earned revenue less write-offs. On a periodic basis, the Authority evaluates its' accounts receivable and utilizes the direct write-off method. Accounts receivable are considered delinquent if not in accordance with the contractual terms. Receivables are written off after collection efforts have failed.

*Accrued Sick and Vacation*

Authority employees are granted vacation and sick leave in varying amounts. At the end of employment, an employee may be reimbursed for accumulated vacation days and sick days if certain conditions are met. The Authority records accrued sick and vacation costs as an accrued expense.

*Net Position*

The Authority reports net position as restricted when legally segregated for a specific use or for other special purposes. Otherwise, these balances are considered unrestricted.

Legal restrictions on net position as of June 30, 2015 consisted of the Authority's stabilization fund and its extraordinary repairs reserve. Additional amounts of restricted net position consist of amounts restricted to assist in the Fall River Terminal construction project. The "investment in capital assets" section of net position represent resources related to the capital assets of the Authority.

*Capital Assets*

Capital assets are recorded at historical cost, while donated fixed assets are recorded at fair market value as of the date of the gift with an aggregated cost of \$1,000 or more and a useful life of more than one year.

Depreciation is charged to operating expense, based on the straight-line method, at rates that are designed to amortize the cost of the property over its estimated useful life. The estimated useful lives on the depreciable portion of the major categories of transportation property are as follows:

	<u><b>Estimated Useful Life</b></u>
Buildings and improvements	10 - 40 years
Buses and equipment (including service equipment)	3 - 12 years
Furniture and fixtures	6 - 10 years
Planning	10 years

When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations. In fiscal year 2015, this gain amounts to \$6,100 as seen on the Statement of Revenues, Expenses and Changes in Net Position.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

*Grants*

The Authority receives grants from certain governmental agencies to be used for various purposes connected with the planning, modernization and expansion of transportation and facilities. These grants are deferred until such time as the related facilities are put into service. The grants are then amortized over the estimated useful lives of the assets as a reduction of the unreimbursed cost of service.

In addition, the Authority receives grants for operating assistance from the Federal Department of Transportation and the Commonwealth Department of Transportation. Those funds are credited to the Net Cost of Service, as they are a reduction of the amounts that would otherwise be paid by the 10 cities and towns constituting the Authority. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

*Materials, Supplies and Inventory*

The Authority uses the weighted average cost method for valuation purposes. The costs of inventory items are recorded as expenditures when used.

*Income Taxes*

The Authority is exempt from Federal and Commonwealth of Massachusetts income taxes since it is a public body established by statute.

*Advertising*

Advertising costs are expensed as incurred. Advertising costs totaled \$2,033 for the year ended June 30, 2015.

*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 amounts reported in the financial statements and accompanying notes and disclosures. Actual results could differ from those estimates.

*Concentration of Credit Risk*

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of investments, cash equivalents and grant receivables. The Authority's cash equivalents were with various credit-worthy financial institutions, investments consisted of grant receivables due from Federal, state and local assessments. The Authority considers the credit risk associated with financial instruments to be minimal.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Implementation of New Accounting Principles

For the year ending June 30, 2015, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

The implementation GASB Statements No. 68 and 71 represented a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Authority recognized its long-term obligation for pension benefits as a liability to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expanded pension related note disclosures and required supplementary information. As a result of this change in accounting principle, the Authority has restated its beginning net position within the business-type activities. See “Note 21 Restatement” on page 39 for more information.

The implementation of GASB Statement No. 69 had no material reporting impact for the Authority.

2. **CAPITAL IMPROVEMENT PROGRAM AND RELATED GRANTS**

The Authority’s capital improvement program provides for the replacement and expansion of the present bus fleet and other transportation equipment and the construction of bus loading facilities. Grant spending net depreciation/amortization is as follows:

	<b>Federal</b>	<b>State, Local &amp; Other</b>	<b>Total</b>
Approved grant spending through June 30, 2015	\$ 55,294,992	\$ 13,677,624	\$ 68,972,616
Amortization	(37,673,410)	(9,471,361)	(47,144,771)
Net grants balance	\$ 17,621,582	\$ 4,206,263	\$ 21,827,845

Receivables for capital grant expenditures from the federal and state governments were \$108,058 as of June 30, 2015. The expenditures were funded by transportation bonds and operating funds.

The following table shows, as of June 30, 2015, currently active capital project costs approved, expenditures against these projects, and estimated costs to complete these projects, by major funding source.

<b>Funding Source</b>	<b>Approved Project Costs</b>	<b>Expenditures through June 30, 2015</b>	<b>Unexpended costs</b>
Federal grants	\$ 15,715,611	\$ 13,071,989	\$ 2,643,622
State and local sources	7,206,916	5,740,158	1,466,758
Total	\$ 22,922,527	\$ 18,812,147	\$ 4,110,380

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

3. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2015 is classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$1,410,108
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Deposits are in various financial institutions and are carried at cost which approximates market value. The carrying amount of deposits is displayed in the Statement of Net Position as "Cash". Petty cash is included in the presentation of cash on the Statement of Net Position in the amount of \$17,891 on June 30, 2015.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At year end the Authority's carrying amount of deposits was \$1,410,108, including \$17,891 of petty cash and the bank balance was \$1,490,533. Of the bank balance, \$651,446 was covered by Federal Depository Insurance, \$688,561 was covered by the Depository Insurance Fund, and the remaining balance of \$150,526 was uninsured.

The Authority has not formally adopted a deposit and investment policy that limits the Authority's allowable deposits and investments and addresses the specific types of risk to which the Authority is exposed.

4. **DUE FROM COMMONWEALTH OF MASSACHUSETTS**

The Authority receives various forms of assistance from the Commonwealth for operating assistance as provided in enabling legislation under which the Commonwealth will pay the Authority a portion of its net cost of service. At June 30, 2015, the Authority was owed from the Commonwealth local assessments from fiscal year 2014 and 2015, as well as state capital grant funding. The Commonwealth's department providing this support is the Executive Office of Transportation.

The following is the amount due to the Authority as of June 30, 2015:

<u>Date Received</u>	<u>Commonwealth Appropriation Account Number</u>	<u>Commonwealth Department Name</u>	<u>Appropriation Number</u>	<u>Fiscal Year of Appropriation</u>	<u>Amount</u>
7/3/2015	N/A	Treasurer	FY2014	FY14 Local Assessment	\$ 174,383
Open A/R	RTACAP	DOT	#5	2015	4,453
Open A/R	RTACAP	DOT	#10	2015	5,092
Open A/R	RTACAP	DOT	#11	2015	13,691
Open A/R	RTACAP	DOT	#12	2015	4,804
Open A/R	N/A	N/A	N/A	Miscellaneous	4,603
Open A/R	N/A	Treasurer	FY 2015	FY15 Local Assessment	<u>2,538,672</u> *
Total amount due from the Commonwealth (June 30, 2015):					<u><u>\$ 2,745,698</u></u>

\* - To be collected on the fiscal year 2017 "Cherry Sheet"

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

**5. LOCAL ASSESSMENTS**

The Authority's net cost of service is also funded through assessments to member municipalities, which may increase by no more than 2.5% annually plus the members' share of any new services. (MGL Chapter 59 Section 20A). As a result of a mathematical error in the calculation of the 2015 local assessment, the 2015 local assessment has been adjusted to "reimburse" the cities and towns for being over assessed in 2015.

Below is a comparison of local assessments to member communities under the provisions of MGL Chapter 161B Section 9 for the current and prior fiscal year as well as the upcoming fiscal year.

<b>Member Communities</b>	<b>2014</b>	<b>2015</b>	<b>Percent Change</b>	<b>2015 Member Allocation</b>
New Bedford	861,787	840,774	-2.4%	40.2%
Fall River	995,194	970,927	-2.4%	46.4%
Acushnet	29,663	28,940	-2.4%	1.4%
Dartmouth	90,559	88,350	-2.4%	4.2%
Fairhaven	32,135	31,352	-2.4%	1.5%
Freetown	1	1	100.0%	<0.04%
Mattapoisett	9,459	9,229	-2.4%	0.4%
Somerset	55,330	53,980	-2.4%	2.6%
Swansea	50,197	48,972	-2.4%	2.3%
Westport	20,644	20,140	-2.4%	1.0%
Subtotals:	2,144,969	2,092,665	-2.4%	100.0%

Upcoming fiscal year (fiscal year 2016):

<b>Member Communities</b>	<b>2015</b>	<b>2016</b>	<b>Percent Change</b>	<b>2016 Member Allocation</b>
New Bedford	840,774	861,787	2.5%	40.2%
Fall River	970,927	995,194	2.5%	46.4%
Acushnet	28,940	29,663	2.5%	1.4%
Dartmouth	88,350	90,559	2.5%	4.2%
Fairhaven	31,352	32,135	2.5%	1.5%
Freetown	1	1	0.0%	<0.04%
Mattapoisett	9,229	9,459	2.5%	0.4%
Somerset	53,980	55,330	2.5%	2.6%
Swansea	48,972	50,197	2.5%	2.3%
Westport	20,140	20,644	2.5%	1.0%
Subtotals:	2,092,665	2,144,969	2.5%	100.0%



**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

6. **CAPITAL ASSETS AND DEPRECIATION**

	<b>July 01, 2014 Beginning Balance</b>	<b>Restatement</b>	<b>Beginning Balance Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2015 Ending Balance</b>
Not Being Depreciated:						
Land	\$ 326,611	\$ -	\$ 326,611	\$ -	\$ -	\$ 326,611
Construction in progress	756,774	-	756,774	77,357	756,774	77,357
Subtotal	<u>1,083,385</u>	<u>-</u>	<u>1,083,385</u>	<u>77,357</u>	<u>756,774</u>	<u>403,968</u>
Other Capital Assets:						
Building and improvements	15,092,730	-	15,092,730	1,011,650	-	16,104,380
Buses and equipment	24,700,939	-	24,700,939	77,862	240,057	24,538,744
Service equipment	1,546,709	-	1,546,709	109,750	55,779	1,600,680
Furniture and fixtures	557,898	(378,938)	178,960	-	11,218	167,742
Computer equipment	-	378,938	378,938	26,150	-	405,088
Planning	1,135,996	-	1,135,996	94,755	-	1,230,751
Subtotal	<u>43,034,272</u>	<u>-</u>	<u>43,034,272</u>	<u>1,320,167</u>	<u>307,054</u>	<u>44,047,385</u>
Accumulated Depreciation:						
Building and improvements	6,574,666	-	6,574,666	525,642	-	7,100,308
Buses and equipment	11,362,468	-	11,362,468	1,679,527	240,057	12,801,938
Service equipment	1,162,334	(60,195)	1,102,139	173,533	55,779	1,219,893
Furniture and fixtures	165,755	(80,827)	84,928	18,319	10,758	92,489
Computer equipment	-	141,022	141,022	70,992	-	212,014
Planning	608,762	-	608,762	93,642	-	702,404
Subtotal	<u>19,873,985</u>	<u>-</u>	<u>19,873,985</u>	<u>2,561,655</u>	<u>306,594</u>	<u>22,129,046</u>
Net other capital assets	<u>23,160,287</u>	<u>-</u>	<u>23,160,287</u>	<u>(1,241,488)</u>	<u>460</u>	<u>21,918,339</u>
Net capital assets	<u>\$ 24,243,672</u>	<u>\$ -</u>	<u>\$ 24,243,672</u>	<u>\$ (1,164,131)</u>	<u>\$ 757,234</u>	<u>\$ 22,322,307</u>

Depreciation expense was \$2,561,655 for the fiscal year ended June 30, 2015.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

7. ***DEBT AND NOTES PAYABLE***

The Authority is subsidized by the Commonwealth for its annual “Net Cost of Service” as defined in the legislation. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash from deficiencies until funding is received.

Under Chapter 161B of the Massachusetts General Laws, the Commonwealth is required to pay principal or interest that is due on any of the Authority’s bond or note issues if the Authority does not have the funds available.

At June 30, 2015, the Authority had a revenue anticipation note of \$3,625,000 outstanding with interest rate of 1.00% due to mature on August 28, 2015. Of the balance on the note, a premium of \$3,410 remains. The original premium on the note when issued was \$20,461.

The revenue anticipation notes acquired during 2015 were for the purpose of funding operating expenses. Interest expense for 2015 on revenue anticipation notes was \$17,563.

<u>Note Type</u>	<u>Interest Rates</u>	<u>Issuance Dates</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Premium</u>	<u>Dispositions</u>	<u>Amortized Premium</u>	<u>Ending Balance</u>	<u>Interest Paid</u>
RAN	1.00%	8/29/14	8/28/15	\$ -	\$ 3,625,000	\$ 20,461	\$ -	\$ (17,051)	\$ 3,628,410	\$ 13,157
RAN	0.75%	8/30/13	8/29/14	4,701,453	-	-	(4,700,000)	(1,453)	-	4,406
				<u>\$ 4,701,453</u>	<u>\$ 3,625,000</u>	<u>\$ 20,461</u>	<u>\$ (4,700,000)</u>	<u>\$ (18,504)</u>	<u>\$ 3,628,410</u>	<u>\$ 17,563</u>

8. ***FEDERAL CONTRACT ASSISTANCE***

The Authority is eligible for grants of operating assistance from the Federal Department of Transportation. Pursuant to Section 5307 of the Federal Transit Administration T21, as amended, the federal government will fund up to 50% of the Authority’s Net Cost of Service, as defined. Federal operating assistance amounted to \$4,615,946 for the year ended June 30, 2015. Additionally, the Federal government funded \$363,970 of preventative maintenance and provided Section 5311 assistance totaling \$28,049.

The United States Department of Transportation approves capital grants to fund up to 80% of the Authority’s capital improvement projects. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In addition, the Federal government may fund up to 80% of the Authority’s preventive maintenance and ADA services costs.

**SOUTHEASTERN REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2015

9 ***STATE CONTRACT ASSISTANCE***

The Authority has a contract with the Commonwealth of Massachusetts for operating assistance (MGL Chapter 161B Section 23) providing the Authority with up to 50% of the Authority's net cost of service be paid by the Commonwealth and shall not be assessed upon the cities and towns constituting the Authority. Funding is determined in the Commonwealth's budget and is divided between RTAs based on a formula considering such factors as size and operating environment, as well as ridership and previous state funding levels. Total State Contract Assistance (SCA) for fiscal year 2015 totaled \$5,625,381, an increase of \$717,721 (or 14.62%) over the previous year. In fiscal year 2014, SRTA received its SCA of \$4,907,660.

The Commonwealth also finances approximately 20% of the Authority's capital management through the Commonwealth's Executive Office of Transportation.

10. ***NET POSITION - RESTRICTED FOR OTHER PURPOSES***

In accordance with Massachusetts General Laws Chapter 161 Section 6(q), the Authority has established a reserve for extraordinary expenses. Prior approval from state officials is required before any expenditures can be made from this reserve. At June 30, 2015, that reserve amounted to \$428,994. The Authority added \$10,458 to this reserve in the current fiscal year from its net position. This reserve is at its maximum allowable balance under the law at fiscal year end June 30, 2015.

11. ***SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)***

**Summary of Significant Accounting Policies**

*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 City of New Bedford's Contributory Employees' 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.

***General Information about the Pension Plan***

*Plan description.* The System is a contributory defined benefit plan, as established by MGL Chapter 32, covering all City of New Bedford Retirement System member unit employees deemed eligible by the retirement board, with the exception of the school department employees who serve in a teaching capacity.

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. Five employers currently participate in the System, the City of New Bedford, the New Bedford Housing Authority, the Greater New Bedford Regional Technical Vocational High School, the Greater New Bedford Regional Refuse Management District, and the Southeastern Regional 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 PERAC issues a publicly available report on the City of New Bedford Retirement System pursuant to MGL Chapter 32 Section 21 that can be obtained at [www.mass.gov/perac](http://www.mass.gov/perac). This report contains additional information with respect to the System.

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**11. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)(Continued)**

*Benefits provided.* The System provides retirement, disability, and death benefits. Retirement benefits vest after ten years of creditable service and are determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his 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 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. Other allowances are also entitled to those surviving spouses of the police or fire departments.

Chapter 17 of the Acts of 1997 was adopted by the New Bedford Contributory Retirement System. The result of such adoption allows the Retirement Board to vote to pay a cost of living increase (COLA) for that year, with the percentage determined by the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%.

*Contributions.* Member contributions vary depending on the most recent date of membership. Members who entered the system prior to 1975 contribute 5% of regular compensation. Members who entered between 1975 and 1983 contribute 7% of regular compensation. Members who entered between 1984 and June 30, 1996 contribute 8% of regular compensation. Members who entered after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined after 1978 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

Under Chapter 32 Section 22F of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040. Thereafter, annual contributions equal to the normal cost will keep the Plan's assets and liabilities in balance. Contributions to the pension plan from participating employers was \$28,253,951 for the fiscal year ended June 30, 2015 as determined by PERAC. Of the \$28,253,951 contributed, \$121,415 represents contributions from the Southeastern Regional Transit Authority ("the Authority"). 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.

***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, 2014 (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, 2014. Update procedures were used to roll forward the total pension liability to the measurement date.

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**11. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)(Continued)**

At June 30, 2015 (i.e. the “reporting date” as defined by GASB Statement No. 68), the System reported a net pension liability of \$333,981,380 while the Authority reported a liability of \$1,435,210 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. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of the participating employers, actuarially determined. The following chart illustrates each employers proportionate share used at the measurement date:

<u>Employer</u>	<u>Fiscal Year 2015 Actual Employer Contributions</u>	<u>Employer Allocation Percentage</u>
City of New Bedford	\$ 24,433,112	86.4768%
New Bedford Housing Authority	1,913,079	6.7710%
Greater NB Regional Voc. Tech HS	1,532,478	5.4239%
Greater NB Regional Refuse Mgmt. District	253,867	0.8985%
Southeastern Regional Transit Authority	121,415	0.4297%
	<u>\$ 28,253,951</u>	<u>100.00%</u>

At December 31, 2014, the Authority’s proportion was 0.43 percent, which was the same as its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the Authority recognized pension expense of \$129,705. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,716	\$ -
	<u>\$ 16,716</u>	<u>\$ -</u>

\$0 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date of December 31, 2014. There were no employer contributions after December 3, 2014. Had employer contributions been made subsequent to the December 31, 2014 measurement date, it would have been recognized as a deferred outflow of resources in the year ended June 30, 2015 (per GASB Statement No. 71).

*Actuarial assumptions.* The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.0 percent
Investment rate of return	7.75 percent

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**11. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)(Continued)**

Mortality rates for both pre-retirement and post retirement for males and females, were based on the RP-2000 mortality table adjusted to 2015 with Scale AA. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.

The actuarial assumptions used in the January 1, 2014 valuation were prepared using generally accepted actuarial principles and practices and meet the parameters set by GASB Statement No. 68. The assumptions used represent the best estimate of anticipated experience of the system.

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>Expected Real Rate of Return</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equities	35.0%	6.6%	7.5%
International Equities	20.0%	7.2%	7.7%
Real Estate Funds	10.0%	4.4%	6.3%
Cash	0.0%	1.0%	0.0%
Fixed Income	18.0%	1.6%	4.2%
Private Equity	5.0%	11.5%	11.3%
GTAA	12.0%	3.5%	7.1%
Total	<u>100%</u>		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent (as selected by the Retirement Board; this discount rate approximates the long-term expectation of investment returns). The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long-term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a fully funded status by 2040. In addition, Chapter 32 also gives the Retirement Board the right to go directly to the Assessors of the community and add an additional property tax to bills for amounts not paid by employer. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

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**11. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)(Continued)**

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Authority's proportionate share of the net pension liability	\$ 1,705,364	\$ 1,435,210	\$ 1,204,080

*Pension plan fiduciary net position.* Detailed information about the System's fiduciary net position is available in the separately issued "PERAC Audit Report" of the New Bedford Contributory Retirement System for the period of January 1, 2011 to December 31, 2013.

**Payables to the pension plan**

At June 30, 2015, the Authority did not report any amounts payable to the System for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015. The Authority paid-in 100% of its required appropriation.

**12. DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)**

**a.) HOURLY PLAN**

**Summary of Significant Accounting Policies**

*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 Pension Plan of the Southeastern Regional Transit Authority and South Coast Transit Management Inc. for Employees Covered by Collective Bargaining ("the Hourly Plan") and additions to/deductions from the Hourly Plan's fiduciary net position have been determined on the same basis as they are reported by the Hourly Plan. 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.

**General Information about the Pension Plan**

*Plan description.* The Hourly Plan's defined benefit pension plan provides pensions for all employees covered by the collective bargaining agreement between the Union and the Operating Company. The Hourly Plan is a single-employer defined benefit pension plan administered by the Southeast Regional Transit Authority and South Coast Transit Management. The Authority has agreed under terms of the operating agreement, to provide retirement benefits to the employees of the Operator and to continue playing benefits to those retired employees who were eligible to collect benefits. The Hourly Plan's provisions were last approved on April 1, 2014. There were no nonemployer contributing entities or special funding situations, as defined by GASB 68, for this plan.

*Benefits provided.* The Hourly Plan provides retirement, termination, disability, and death benefits. Retirement benefits for general employees are calculated as 1.5 percent of the employee's average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 62. Termination benefits are 100% vested after 5 years of vesting service and are the same as normal retirement benefits with income deferred until Normal Retirement Date. Termination benefits equal the accrued benefit on the date of termination multiplied by the vesting percentage. All employees are eligible for disability benefits after 10 years of service with monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date. Death benefits equal a monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. The amount paid for death benefits equal the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

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12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

There have been no changes in plan provisions during the measurement period (July 1, 2013 to June 30, 2014) or between the measurement date and the fiscal year end (June 30, 2015).

*Employees covered by benefit terms.* At June 30, 2015, the following employees were covered by the benefit terms:

Active plan members	113
Inactive plan members entitled to but not yet receiving benefits	33
Disabled plan members entitled to benefits	-
Retired plan members or beneficiaries currently receiving benefits	101
 Subtotal	 247

*Contributions.* The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined contribution for the measurement period ending June 30, 2014 is \$817,454 for employer contributions. Currently, there is no written funding policy. It is assumed that the past contribution pattern will continue.

***Net Pension Liability***

The Hourly Plan's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent (long-term)
Salary increases	4.5 percent
Investment rate of return	7.00 percent
Discount rate	7.00 percent

Mortality rates were based on the 2014 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female, both during and before the benefit payment period.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013–June 30, 2014.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



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12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

<u>Asset Class</u>	<u>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	8.80%	7.45%	33.42%
US Equity - Mid Cap	9.10%	7.45%	6.19%
US Equity - Small Cap	9.55%	7.45%	4.14%
Non-US Equity	9.20%	7.45%	20.57%
Real Estate (direct property)	6.30%	5.95%	4.96%
TIPS	4.10%	3.90%	2.49%
Core Bond	4.25%	4.15%	23.28%
High Yield	6.30%	5.90%	4.96%
Total			<u>100%</u>

*Discount rate.* The discount rate used to determine the total pension liability was 7.00%. The discount rate used for the prior measurement date was 7.00%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2014 to 2109. Benefit payments after 2109 are projected to be \$0.00.

The long-term rate of return of 7.00% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected benefit payments. Otherwise, a municipal bond rate of 4.24% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the measurement date.

The discount rate of 7.00% is the single rate that incorporates the long-term rate of return and municipal bond rate assumptions as described above.

**Changes in the Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
<b>Balances at the beginning of the period</b>	\$ 18,219,603	\$ 15,148,765	\$ 3,070,838
<b>Changes for the year:</b>			
Service cost	428,907	-	428,907
Interest	1,274,483	-	1,274,483
Differences between expected and actual experience	147,415	-	147,415
Changes in assumptions	37,856	-	37,856
Contributions - employer	-	940,181	(940,181)
Contributions - employee	-	-	-
Net investment income	-	2,679,160	(2,679,160)
Benefit payments, including refunds of employee contributions	(852,624)	(852,624)	-
Administrative expense	-	(10,722)	10,722
Other changes	-	-	-
<b>Net changes</b>	<u>1,036,037</u>	<u>2,755,995</u>	<u>(1,719,958)</u>
<b>Balances at the end of the period</b>	<u>\$ 19,255,640</u>	<u>\$ 17,904,760</u>	<u>\$ 1,350,880</u>

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12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Hourly Plan, calculated using the discount rate of 7.00 percent, as well as what the Hourly Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Hourly Plan Net Pension Liability	\$ 3,445,204	\$ 1,350,880	\$ (443,676)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the Hourly Plan recognized pension expense of \$371,843. At June 30, 2015, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 115,645	\$ -
Changes of assumptions	29,697	-
Net difference between projected and actual earnings on pension plan investments	-	(1,296,962)
	\$ 145,342	\$ (1,296,962)

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

<b>Year ended June 30:</b>	
2016	\$ (284,312)
2017	(284,312)
2018	(284,312)
2019	(298,684)
2020	-
Subtotal - all years	\$(1,151,620)

**Payable to the Pension Plan**

At June 30, 2015, the Hourly Plan did not report any payables for outstanding amounts of contributions to the pension plan required for the year ended June 30, 2015.

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12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

**b.) SALARIED PLAN**

**Summary of Significant Accounting Policies**

*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 Salaried Employees' Pension Plan of the Southeastern Regional Transit Authority and South Coast Transit Management, Inc. ("the Salaried Plan"). Additions to/deductions from the Salaried Plan's fiduciary net position have been determined on the same basis as they are reported by the Salaried Plan. 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.

**General Information about the Pension Plan**

*Plan description.* The Salaried Employees' Pension Plan is a single-employer defined benefit pension plan administered by the Southeast Regional Transit Authority and South Coast Transit Management. The Salaried Plan's provisions were last amended on December 13, 2013. There were no nonemployer contributing entities or special funding situations, as defined by GASB 68, for this plan.

*Benefits provided.* The Hourly Plan provides retirement, termination, disability, and death benefits. Retirement benefits for general employees are calculated as 2.15 percent of the employee's average compensation times the employee's years of service, with maximum service of 40 years. Employees with 10 years of service are eligible to retire at age 62. Termination benefits are 100% vested after 5 years of vesting service and are the same as normal retirement benefits with income deferred until Normal Retirement Date. Termination benefits equal the accrued benefit on the date of termination multiplied by the vesting percentage. Totally and permanently disabled employees are eligible for disability benefits at attained age 55 after 10 years of service with monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date. Death benefits equal a monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. The amount paid for death benefits equal the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

There have been no changes in plan provisions during the measurement period (July 1, 2013 to June 30, 2014) or between the measurement date and the fiscal year end (June 30, 2015).

*Employees covered by benefit terms.* At June 30, 2015, the following employees were covered by the benefit terms:

Active plan members	25
Inactive plan members entitled to but not yet receiving benefits	11
Disabled plan members entitled to benefits	-
Retired plan members or beneficiaries currently receiving benefits	<u>18</u>
Subtotal	<u><u>54</u></u>

*Contributions.* The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined contribution for the measurement period ending June 30, 2014 is \$259,296 for employer contributions. Currently, there is no written funding policy. It is assumed that the past contribution pattern will continue.

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12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

**Net Pension Liability**

The Salaried Plan's net pension liability was measured as of June 30, 2014 (for the employers' fiscal year ended June 30, 2015), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent (long-term)
Salary increases	4.0 percent
Investment rate of return	7.00 percent
Discount rate	7.00 percent

Mortality rates were based on the 2014 IRS Prescribed Mortality – Static Annuitant, male and female, during the benefit payment period and before the benefit period the 2015 IRS Prescribed Mortality – Non-Static Annuitant, male and female table was used.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013–June 30, 2014.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years.

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>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	8.80%	7.45%	33.76%
US Equity - Mid Cap	9.10%	7.45%	6.13%
US Equity - Small Cap	9.55%	7.45%	4.06%
Non-US Equity	9.20%	7.45%	20.23%
Real Estate (direct property)	6.30%	5.95%	5.09%
TIPS	4.10%	3.90%	2.49%
Core Bond	4.25%	4.15%	23.19%
High Yield	6.30%	5.90%	<u>5.04%</u>
Total			<u><u>100%</u></u>

*Discount rate.* The discount rate used to determine the total pension liability was 7.00%. The discount rate used for the prior measurement date was 7.00%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2014 to 2110. Benefit payments after 2110 are projected to be \$0.00.

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12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

The long-term rate of return of 7.00% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected benefit payments. Otherwise, a municipal bond rate of 4.24% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the measurement date.

The discount rate of 7.00% is the single rate that incorporates the long-term rate of return and municipal bond rate assumptions as described above.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at the beginning of the period</b>	\$ 6,693,365	\$ 5,670,818	\$ 1,022,547
<b>Changes for the year:</b>			
Service cost	147,089	-	147,089
Interest	468,215	-	468,215
Differences between expected and actual experience	(170,036)	-	(170,036)
Changes in assumptions	12,347		12,347
Contributions - employer	-	201,848	(201,848)
Contributions - employee	-	-	-
Net investment income	-	836,221	(836,221)
Benefit payments, including refunds of employee contributions	(292,084)	(292,084)	-
Administrative expense	-	(22,092)	22,092
Other changes	-	-	-
<b>Net changes</b>	<u>165,531</u>	<u>723,893</u>	<u>(558,362)</u>
<b>Balances at the end of the period</b>	<u>\$ 6,858,896</u>	<u>\$ 6,394,711</u>	<u>\$ 464,185</u>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Salaried Plan, calculated using the discount rate of 7.00 percent, as well as what the Salaried Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Salaried Plan Net Pension Liability	\$ 1,267,574	\$ 464,185	\$ (217,635)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the Salaried Plan recognized pension expense of \$242,754. At June 30, 2015, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to Financial Statements (Continued)

June 30, 2015

12. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)(Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 143,426
Changes of assumptions	10,415	-
Net difference between projected and actual earnings on pension plan investments	-	354,766
	\$ 10,415	\$ 498,192

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

<b>Year ended June 30:</b>	
2016	\$ (113,369)
2017	(113,369)
2018	(113,369)
2019	(113,371)
2020	(24,678)
Thereafter	(9,621)
Subtotal - all years	\$ (487,777)

***Payable to the Pension Plan***

At June 30, 2015, the Salaried Plan did not report any payables for outstanding amounts of contributions to the pension plan required for the year ended June 30, 2015.

13. **DEFERRED COMPENSATION PLAN**

Certain employees of the Authority are eligible to contribute to a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Under this plan, the Authority withholds the amount of compensation mutually agreed upon with each participant up to a prescribed limit outlined in the plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights shall be held in one or more annuity contracts, issued by an insurance company qualified to do business in the state where the contract was issued, for the exclusive benefit of participants and beneficiaries under the plan. The Authority disclaims any and all rights with respect to entitlement to proceeds of any plan as set and deems them reserved solely for the benefit of participants under the terms of the plan.

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Notes to Financial Statements (Continued)

June 30, 2015

14. ***RISK MANAGEMENT***

In conjunction with its normal operations, the Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of property and injuries to employees. The Authority purchases commercial insurance from independent third parties to cover these risks. There have been no claims that have exceeded insurance coverage.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amounts can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The estimated liability for all self-insured losses incurred but not reported is not material at June 30, 2015.

15. ***LEGAL AND OTHER***

The Authority is involved in numerous lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

16. ***COMMITMENTS***

On May 30, 2012 the Southeastern Regional Transit Authority signed an agreement with Goodyear Tire & Rubber Company through May 31, 2017. This agreement is to lease the Authority the number of tires sufficient to keep all of Southeastern Regional Transit Authority's vehicles fully equipped and to provide an adequate reserve supply.

The Authority agrees to furnish to Goodyear by the 15<sup>th</sup> day of each month a record of the daily revenue and non-revenue vehicle miles. The amount of monthly payments is computed by using the applicable billing rate per tire mile in effect during the preceding month.

17. ***ECONOMIC DEPENDENCY***

The Authority received a substantial amount of its' support from federal and state governments. A significant reduction of this support, if this were to occur, may have an effect on operations.

18. ***TRANSIT SERVICE***

The operation of the Authority's fixed route service and maintenance of the Authority's transportation property are performed by First Transit under the terms of an agreement whereby First Transit operates mass transit along such routes and according to such a schedule as defined by the Authority. First Transit uses South Coast Transit Management, Inc. (SCTM), a wholly owned subsidiary, for the performance of the actual fixed route and ADA paratransit operations. In return, the Authority agrees to pay First Transit a management fee and to reimburse SCTM for all costs and expenses which are reasonable and necessary for the efficient operation of the service.

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Notes to Financial Statements (Continued)

June 30, 2015

19. ***SUBSEQUENT EVENTS***

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2015, and through September 11, 2015, the date on which the financial statements were available to be issued.

During fiscal year 2015, the Federal Transit Administration de-obligated \$224,071 of funds previously obligated to SRTA under grant MA-90-X665. This de-obligation was as a result of an investigation conducted by the U.S. Department of Transportation's Office of the Inspector General (OIG), relative to the management and oversight of SRTA's third party operator prior to November 1, 2011, Union Street Bus Company. In August 2015, SRTA received a letter from the United States District Court which stated that the former owner of Union Street Bus Company was ordered to pay restitution to SRTA. The letter advised that the defendant was only recently sentenced and that a check is not likely to be issued in the immediate future.

On June 22, 2015, the Massachusetts Department of Transportation signed the 2016 fiscal year's contract assistance in the amount of \$5,625,381 of which half the amount (\$2,812,690) was received by the Authority on July 29, 2015.

The Authority issued a Revenue Anticipation Note (RAN) dated August 28, 2015 in the amount of \$4,000,000, with an interest rate of 1%. The due date of the RAN is August 26, 2016 and is to be used to fund operating expenses.

20. ***FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS***

The GASB has issued the following statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which is required to be implemented during fiscal year 2016. Management does not believe the implementation of this Statement will materially impact the basic financial statements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented during fiscal year 2017. Management does not believe the implementation of this Statement will materially impact the basic financial statements.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented during fiscal year 2017. Management does not believe the implementation of this Statement will materially impact the basic financial statements.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2018. Management will begin to evaluate the potential effects of this statement on the basic financial statements in the near future.

These pronouncements will be implemented by their respective implementation dates.



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Notes to Financial Statements (Continued)

June 30, 2015

21. **RESTATEMENT NOTE**

In the current fiscal year, it was necessary to restate beginning fund balance:

Net position, beginning of year	\$ 27,458,550
To restate pension amounts to implement GASB Statement No. 68:	
To write-off pre-paid pension no longer applicable under GASB Statement No. 68	(1,853,524)
To restate for NB Contributory Retirement Plan under GASB Statement No. 68	(1,422,999)
To restate for Hourly Plan under GASB Statement No. 68	(3,070,838)
To restate for Salaried Plan under GASB Statement No. 68	<u>(1,022,547)</u>
Net position, beginning of year, restated	<u><u>\$ 20,088,642</u></u>

22. **810 CMR 53.03(2) DISCLOSURE**

The Administrator (CEO), date of hire November 30, 2011, compensation for fiscal year 2015 was \$96,128.68. The CEO was paid \$1,603 for 4.25 days of unused vacation time buyback as per the Authority's personnel policies. The CEO receives a family health insurance plan and contributes 25% of the cost of the premium.

The Chief Financial Officer (CFO), date of hire October 5, 2011, compensation for fiscal year 2015 was \$85,005. The CFO was paid \$1,654 for one week of unused vacation time buyback as per the Authority's personnel policies. 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.

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Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability –  
New Bedford Contributory Retirement

Last 10 Fiscal Years\*

	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.43%
Authority's proportionate share of the net pension liability (asset)	\$ 1,435,210
Authority's covered employee payroll	\$ 394,711
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	363.61%
Plan fiduciary net position as a percentage of the total pension liability	46.00%

\* - 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.

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Required Supplementary Information

Schedule of Employer Contributions –  
New Bedford Contributory Retirement

Last 10 Fiscal Years\*

	<u>2015</u>
Authority's contractually required contribution	\$ 121,415
Authority's contributions in relation to the contractually required contribution	\$ 121,415
Contribution deficiency (excess)	<u>\$ -</u>
Authority's covered-employee payroll	\$ 394,711
Contributions as a percentage of covered-employee payroll	30.76%

**Notes to Schedule**

**Valuation Date:**

The January 1, 2014 actuarial valuation was rolled forward, in accordance with the parameters of GASB Statement No. 68, to December 31, 2014, the measurement date.

**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.

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Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios – Hourly Plan

Last 10 Fiscal Years\*

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 428,907
Interest	1,274,483
Differences between expected and actual experience	147,415
Changes in assumptions	37,856
Benefit payments, including refunds of employee contributions	(852,624)
<b>Net change in total pension liability</b>	1,036,037
Total pension liability - beginning	\$ 18,219,603
<b>Total pension liability - ending (a)</b>	<b>\$ 19,255,640</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 940,181
Net investment income	2,679,160
Benefit payments, including refunds of employee contributions	(852,624)
Administrative expense	(10,722)
<b>Net change in plan fiduciary net position</b>	2,755,995
Plan fiduciary net position - beginning	15,148,765
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 17,904,760</b>
<b>Hourly Plan's net pension liability - ending (a) - (b)</b>	<b>\$ 1,350,880</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.98%
<b>Covered-employee payroll</b>	\$ 5,545,429
<b>Hourly Plan's net pension liability as a percentage of covered employee payroll</b>	24.36%

\* - 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.

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Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios – Salaried Plan

Last 10 Fiscal Years\*

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 147,089
Interest	468,215
Differences between expected and actual experience	(170,036)
Changes in assumptions	12,347
Benefit payments, including refunds of employee contributions	(292,084)
<b>Net change in total pension liability</b>	165,531
Total pension liability - beginning	\$ 6,693,365
<b>Total pension liability - ending (a)</b>	\$ 6,858,896
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 201,848
Net investment income	836,221
Benefit payments, including refunds of employee contributions	(292,084)
Administrative expense	(22,092)
<b>Net change in plan fiduciary net position</b>	723,893
Plan fiduciary net position - beginning	5,670,818
<b>Plan fiduciary net position - ending (b)</b>	\$ 6,394,711
<b>Salaried Plan's net pension liability - ending (a) - (b)</b>	\$ 464,185
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	93.23%
<b>Covered-employee payroll</b>	\$ 1,301,056
<b>Salaried Plan's net pension liability as a percentage of covered employee payroll</b>	35.68%

\* - 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.

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Required Supplementary Information

Schedule of Contributions – Hourly Plan

Last 10 Fiscal Years\*

	<b>2015</b>
Actuarially determined contribution	\$ 817,454
Contributions in relation to the actuarially determined contribution	940,181
Contribution deficiency (excess)	\$ (122,727)
Covered-employee payroll	\$ 5,545,429
Contributions as a percentage of covered-employee payroll	16.95%

**Notes to Schedule**

Valuation Date:

A measurement date of June 30, 2014 has been used for the fiscal year ending June 30, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Cost Method, level percent of pay
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.25% long-term
Salary Increases	4.5% increase each year until retirement
Investment Rate of Return	7.00% (weighted average rate)
Retirement Age	Attained age 62 with 5 years of continuous service
Mortality	2014 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, for both before and during benefit payment period

\* - 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.

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Required Supplementary Information

Schedule of Contributions – Salaried Plan

Last 10 Fiscal Years\*

	<b>2015</b>
Actuarially determined contribution	\$ 259,296
Contributions in relation to the actuarially determined contribution	201,848
Contribution deficiency (excess)	\$ 57,448
Covered-employee payroll	\$ 1,301,056
Contributions as a percentage of covered-employee payroll	15.51%

**Notes to Schedule**

**Valuation Date:**

A measurement date of June 30, 2014 has been used for the fiscal year ending June 30, 2015.

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Cost Method, level percent of pay
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.25% long-term
Salary Increases	4.0% increase each year until retirement
Investment Rate of Return	7.00% (weighted average rate)
Retirement Age	Attained age 62 with 10 years of service
Mortality	2014 IRS Prescribed Mortality - Static Annuitant, male and female, during benefit payment period
	2014 IRS Prescribed Mortality - Static Non-Annuitant, male and female, during benefit payment period

\* - 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.

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Supplementary Information

Statement of Revenues and Expenses - Budget and Actual

For the Year Ended June 30, 2015

	<u>Budget As Adopted</u>	<u>Appropriations and Transfers</u>	<u>Total Available</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Cash Fares:					
Farebox revenue - fixed route	\$ 2,041,832	\$ -	\$ 2,041,832	\$ 2,183,391	\$ 141,559
Farebox revenue - paratransit	111,100	-	111,100	125,869	14,769
Auxiliary revenue	<u>192,250</u>	<u>-</u>	<u>192,250</u>	<u>212,946</u>	<u>20,696</u>
Total revenues	<u>2,345,182</u>	<u>-</u>	<u>2,345,182</u>	<u>2,522,206</u>	<u>177,024</u>
Expenses:					
Operating/Cost of Service:					
Fixed Route	9,164,603	-	9,164,603	10,124,298	(959,695)
Paratransit	2,618,458	-	2,618,458	2,187,145	431,313
Intermodal Centers	1,309,229	-	1,309,229	384,945	924,284
Fuel	1,560,000	-	1,560,000	1,037,261	522,739
Insurance	802,250	-	802,250	724,443	77,807
Management fees	313,456	-	313,456	313,456	-
SRTA administration	<u>1,015,620</u>	<u>-</u>	<u>1,015,620</u>	<u>912,216</u>	<u>103,404</u>
Total expenses	<u>16,783,616</u>	<u>-</u>	<u>16,783,616</u>	<u>15,683,764</u>	<u>1,099,852</u>
Other financing sources (uses):					
Transfer to Reserve Fund	-	-	-	(10,458)	(10,458)
Net Cost of Service:					
Federal Grants	6,270,201	-	6,270,201	5,007,965	(1,262,236)
State Assistance	5,629,562	-	5,629,562	5,625,379	(4,183)
Local Assessments	<u>2,538,671</u>	<u>-</u>	<u>2,538,671</u>	<u>2,538,672</u>	<u>1</u>
Total other financing sources (uses):	<u>14,438,434</u>	<u>-</u>	<u>14,438,434</u>	<u>13,161,558</u>	<u>(1,276,876)</u>
Excess (deficiency) of revenues and other financing sources over expenses and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Budgetary retained earnings at the beginning of year				<u>\$ -</u>	
Budgetary retained earnings at the end of year				<u>\$ -</u>	

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Supplementary Information

Notes to the Statement of Revenues and Expenses - Budgetary Basis

For the Year Ended June 30, 2015

The accompanying Statement of Revenues and Expenses - Budget and Actual presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis do not differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective and entity differences in the excess (deficiency) of revenues over expenses for the year ended June 30, 2015 are as follows:

Increase (decrease) in net position - GAAP basis	\$ (1,369,200)
Capital grants and contributions	(594,079)
Depreciation	2,561,654
(Gain)/loss on asset dispositions (GAAP only)	460
Prepaid pension adjustment	55,309
Pension expense (GAAP only)	(643,429)
Transfer to extraordinary repairs reserve	(10,458)
Rounding and other adjustments	(257)
Increase (decrease) in net position - Budget basis	<u><u>\$ -</u></u>

\*\*It should be noted that, subsequent to the approval of the fiscal year 2015 budget, the Authority reclassified accounts within groupings related to fixed route, paratransit and intermodal centers on its budget to actual statement.

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Supplementary Information

Statement of Revenue and Cost of Service

For the Year Ended June 30, 2015

Transportation revenue	\$ 2,309,260
Operating expenses:	
Fixed route	10,124,298
Paratransit	2,187,145
Intermodal centers	384,945
Amortization of grants	2,561,654
Fuel	1,037,261
Insurance	724,443
SRTA administration	912,216
Management fees	313,456
Total operating expenses	<u>18,245,418</u>
Net operating loss	(15,936,158)
Other income (expenses):	
Transfer to extraordinary reserve	(10,458)
Interest income	6,810
Auxiliary income	206,136
Cost of service in excess of revenue	<u><u>\$ (15,733,670)</u></u>

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Supplementary Information

Statement of Unreimbursed Cost of Service

For the Year Ended June 30, 2015

Balance at beginning of year	\$ <u>-</u>
Cost of service in excess of revenue	<u>(15,733,670)</u>
Add:	
Net cost of service reimbursable by the Commonwealth of Massachusetts, a portion of which is to be assessed to the cities and towns served by the Authority:	
Commonwealth of Massachusetts - State Contract Assistance	5,625,381
Local assessments	2,538,672
Federal operating assistance pursuant to Section 9 of the Urban Mass Transportation Act of 1964	5,007,965
Rounding differences	<u>(2)</u>
Total operating net cost of service reimbursements	13,172,016
Amortization of grants	<u>2,561,654</u>
Total subsidy	<u>15,733,670</u>
Balance at end of year	<u><u>\$ -</u></u>

See independent auditor's report