

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Financial Statements, Required Supplementary Information, and
Other Supplemental Schedules
June 30, 2022
(With Independent Auditors' Report Thereon)



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

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

Table of Contents

	Page(s)
Independent Auditors' Report	1–3
Required Supplementary Information (unaudited):	
Management's Discussion and Analysis	4–8
Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to Financial Statements	14–29
Required Supplementary Information (unaudited)	
Schedule of Proportionate Share of the Net Pension Liability	30
Schedule of Employer Contributions – Pension	31
Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios	32
Schedule of Employer Contributions – OPEB	33
Schedule of Investment Returns – OPEB Trust	34
Supplemental Schedules	
1 Schedule of Net Cost of Service	35
2 Schedule of Net Cost of Service – Calculation Worksheet	36



INDEPENDENT AUDITORS' REPORT

The Advisory Board
Brockton Area Transit Authority
Brockton, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the Brockton Area Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other postemployment benefits information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of net cost of service and schedule of net cost of service – calculation worksheet are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedule of net cost of service and schedule of net cost of service – calculation worksheet is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Boston, Massachusetts
September 26, 2022

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation – MassDOT)
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2022
(Unaudited)

The following is offered to the reader of the Brockton Area Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Brockton Area Transit Authority (the Authority) during the fiscal year ended June 30, 2022. Please read this discussion and analysis in conjunction with the Authority's financial statements.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$18,491,611.
- The Authority's total net position decreased by \$707,953. This change is primarily due to a decrease in total assets that exceeds the decrease in total liabilities and deferred inflows of resources.
- The Authority's operating expenses, less operating revenues and depreciation, are funded annually through a combination of federal, state, and local assistance.

Overview of the Financial Statements

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

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

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

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2022

(Unaudited)

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

Condensed Financial Information				
	<u>2022</u>	<u>2021</u>	<u>Changes by dollar</u>	<u>Changes by percentage</u>
Current and other assets	\$ 7,682,193	6,920,663	761,530	11.0 %
Capital assets, net	19,448,519	20,150,591	(702,072)	(3.5)
Noncurrent assets	1,482,696	1,395,884	86,812	6.2
Deferred outflows of resources related to pensions and OPEB	<u>648,366</u>	<u>444,520</u>	<u>203,846</u>	<u>45.9</u>
Total assets and deferred outflows of resources	<u>\$ 29,261,774</u>	<u>28,911,658</u>	<u>350,116</u>	<u>1.2 %</u>
Current liabilities	\$ 2,227,360	1,447,218	780,142	53.9 %
Long term liabilities	7,478,809	7,247,264	231,545	3.2
Long term net pension and OPEB liabilities	227,167	951,366	(724,199)	(76.1)
Deferred inflows of resources related to pensions and OPEB	<u>836,827</u>	<u>66,246</u>	<u>770,581</u>	<u>1,163.2</u>
Total liabilities and deferred inflows of resources	<u>\$ 10,770,163</u>	<u>9,712,094</u>	<u>1,058,069</u>	<u>10.9 %</u>
Net position:				
Net investment in capital assets	\$ 18,858,536	20,046,784	(1,188,248)	(5.9)%
Unrestricted	<u>(366,925)</u>	<u>(847,220)</u>	<u>480,295</u>	<u>(56.7)</u>
Total net position	<u>\$ 18,491,611</u>	<u>19,199,564</u>	<u>(707,953)</u>	<u>(3.7)%</u>

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

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2022

(Unaudited)

	2022	2021	Changes by dollar	Changes by percentage
Operating revenues:				
Passenger fares	\$ 2,311,593	1,702,991	608,602	35.7 %
Other operating revenues	252,761	106,032	146,729	138.4
Total operating revenues	<u>2,564,354</u>	<u>1,809,023</u>	<u>755,331</u>	<u>41.8</u>
Operating expenses:				
Transportation services	11,947,387	11,501,341	446,046	3.9
Other operating expenses	4,160,305	3,926,739	233,566	5.9
Total operating expenses, excluding depreciation	16,107,692	15,428,080	679,612	4.4
Depreciation	3,986,812	3,850,556	136,256	3.5
Total operating expenses, including depreciation	<u>20,094,504</u>	<u>19,278,636</u>	<u>815,868</u>	<u>4.2</u>
Operating loss	<u>(17,530,150)</u>	<u>(17,469,613)</u>	<u>(60,537)</u>	<u>0.3</u>
Nonoperating revenues (expenses):				
Contract assistance and local assessments	13,585,136	13,716,491	(131,355)	(1.0)
Other	35,921	(18,204)	54,125	(297.3)
Total nonoperating revenues	<u>13,621,057</u>	<u>13,698,287</u>	<u>(77,230)</u>	<u>(0.6)</u>
Loss before extraordinary expense reserve and capital grants	(3,909,093)	(3,771,326)	(137,767)	3.7
Extraordinary expense and stabilization reserves	(58,638)	(58,260)	(378)	(35.3)
Capital grants	3,259,778	3,413,569	(153,791)	(4.5)
Increase (decrease) in net position	<u>(707,953)</u>	<u>(416,017)</u>	<u>(291,936)</u>	<u>70.2</u>
Beginning net position	19,199,564	19,615,581	(416,017)	(2.1)
Ending net position	<u>\$ 18,491,611</u>	<u>19,199,564</u>	<u>(707,953)</u>	<u>(3.7)%</u>

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

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation – MassDOT)
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2022
(Unaudited)

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

- Total operating expenses, excluding depreciation, increased overall by \$679,612 or approximately 4.4%, as a result of increases in fuel expenses, tire expenses, ground maintenance, utilities, and office equipment.
- Interest expense decreased by \$31,786 or approximately 48.4%. This is a result of a decrease in the net interest on a \$6,300,000 borrowing.
- Federal operating assistance decreased by \$723,056, or approximately 26.9% due to an increase in farebox revenues, other auxiliary revenues, and state contract assistance, combined exceeded the overall increase in operating expenses.
- Commonwealth of Massachusetts contract assistance increased by \$276,589 or 3.6% in fiscal year 2022.
- Other contracts including Discretionary and Community Transit increased by \$235,022 or 158%.
- Revenues from assessments from member municipalities increased by \$80,091, or 2.5%, as a result of the statutorily allowed annual 2.5% increase. There was no new service in fiscal year 2022.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2022 and 2021 amounted to \$19,448,519 and \$20,150,591, respectively, net of accumulated depreciation. This investment in capital assets includes land, transfer center, maintenance facility, transportation equipment, and miscellaneous equipment.

Capital asset additions during the fiscal years included the following:

	<u>2022</u>	<u>2021</u>
Transfer center and maintenance facility	\$ 557,753	221,500
Buses, fareboxes, and support vehicles	2,574,679	2,833,204
Miscellaneous equipment	152,308	379,835
Total	<u>\$ 3,284,740</u>	<u>3,434,539</u>

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. Capital asset additions decreased by approximately \$149,799 due to a decrease in fixed route and paratransit fleet additions and shelters and solar barrels purchased in the prior year.

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

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

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2022

(Unaudited)

Economic Factors and Next Year's Budget

The Authority's non-operating revenues are derived from three sources: federal programs, state operating assistance, and local assessments. In FY22 the use of federal formula funds decreased by 26.9% compared to the prior year, state contract assistance increased by 3.6%, and local assessments increased by 2.5%. Overall farebox revenues increased by 3.7% and other revenues including parking and bus advertising increased over the prior year by a combined 5.9%. Due to wide ranging impacts associated with the COVID-19 pandemic, federal allocations from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) \$9,048,637, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) fund \$2,741,028 and American Rescue Plan Act (ARPA) \$8,993,450 will allow BAT to continue current service levels or even increase to prior year peak frequencies for the next several fiscal years as the local economy recovers.

Service levels increased slightly in September of 2021 and will again in 2022 and 2023 as ridership increases. After seeing a drop of nearly 80% at the height of the 2020 quarantine, ridership has since more than doubled and is consistently ranging between 68-72% of non-pandemic levels. During fiscal year 2022 all safety protocols remained in place and customer accommodations such as an on-site cafe, customer service windows, outdoor fare machines, and bus shelter heaters were employed to mitigate the impacts of an intermodal center reserved primarily for driver use. As the vaccine booster shots became more widely available, the Authority worked with public health officials to ensure BAT workers could access doses as soon as eligibility allowed. Currently, BAT's workforce is healthy and has expressed confidence that everything possible is being done to ensure their safety. Despite the intense focus on virus response, BAT continues to implement cost controls, conduct capital maintenance, and invest in continuous improvement.

Additionally, BAT has initiated a number of efforts designed to boost ridership and adapt service to a changed environment. In partnership with the City of Brockton's economic development efforts, BAT offered free fares on weekends during the summer of 2021 and similarly worked with the MBTA and MassDOT to offer discounted fares on commuter rail trips between Brockton and Boston. BAT's investments in mobile ticketing for fixed route service and account-based payments for paratransit also helped increase revenues while reducing operating costs. Finally, long term diesel and unleaded gasoline contracts allowed BAT to avoid the sharp increase in fuel costs associated with general inflationary pressures and the war in Ukraine.

While FY23 state funding levels remain level, fare revenue and local assessments are expected to match budget projections and operational needs. The afore-mentioned infusion of financial support via the federal CARES Act, CRRSAA, and ARPA will ensure sufficient resources to continue investing in safety equipment and capital items, while maintaining the levels of service necessary to meet ridership demand. In addition, the FY23 budget contains \$2.5M to be spent statewide to support low or no fare options on transit. BAT expects to use its share of these funds to boost demand during the typically lower ridership winter months.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael J. Lambert, Administrator, Brockton Area Transit Authority, 155 Court Street, Brockton, Massachusetts 02302.

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

Statement of Net Position

June 30, 2022

Assets and Deferred Outflows

Current assets:	
Unrestricted cash and short term investments (note 6)	\$ 1,424,132
Restricted cash (note 6)	1,175,683
Receivables for operating assistance:	
Commonwealth of Massachusetts and cities and towns	3,196,942
United States Department of Transportation	651,695
Receivables for capital grants:	
Commonwealth of Massachusetts	507,694
United States Department of Transportation	437,567
Other accounts receivable, net	206,635
Other current assets	<u>81,845</u>
Total current assets	<u>7,682,193</u>
Noncurrent assets:	
Capital assets (note 8):	
Land	863,587
Transfer center and maintenance facility	17,580,805
Buses, fareboxes, and support vehicles	34,612,517
Miscellaneous equipment	6,094,232
Less accumulated depreciation	<u>(39,702,622)</u>
Total capital assets, net	19,448,519
Receivable from cities and towns	<u>1,482,696</u>
Total noncurrent assets, net	<u>20,931,215</u>
Total assets	28,613,408
Deferred outflows of resources related to pensions (note 9)	356,945
Deferred outflows of resources related to OPEB (note 10)	<u>291,421</u>
Total assets and deferred outflows of resources	<u>\$ 29,261,774</u>

Liabilities and Deferred Inflows

Current liabilities:	
Accounts payable and accrued expenses	\$ 1,155,152
Due to operators (note 5)	1,000,221
Accrued interest	<u>71,987</u>
Total current liabilities	2,227,360
Long term liabilities:	
Unearned revenue (note 7)	1,178,809
Notes payable (note 3)	6,300,000
Net pension liability (note 9)	39,395
Net OPEB liability (note 10)	<u>187,772</u>
Total liabilities	9,933,336
Deferred inflows of resources related to pensions (note 9)	805,844
Deferred inflows of resources related to OPEB (note 10)	<u>30,983</u>
Total liabilities and deferred inflows of resources	<u>\$ 10,770,163</u>

Net Position

Net investment in capital assets	\$ 18,858,536
Unrestricted	(366,925)
Commitments and contingencies (note 11)	
Total net position	<u>\$ 18,491,611</u>

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

Operating revenues:	
Passenger fares	\$ 2,311,593
Reimbursement of maintenance	87,418
Facility and parking income	46,714
Advertising	114,174
Miscellaneous	4,455
Total operating revenues	<u>2,564,354</u>
Operating expenses:	
Transportation services	11,947,387
Materials, supplies, and maintenance	1,233,111
Insurance	1,099,851
Professional and management services	769,848
Marketing and advertising	3,379
Administrative and general	1,054,116
Total operating expenses, excluding depreciation	<u>16,107,692</u>
Depreciation	<u>3,986,812</u>
Total operating expenses, including depreciation	<u>20,094,504</u>
Operating loss	<u>(17,530,150)</u>
Nonoperating revenues (expenses):	
Local assessments	3,283,754
Contract assistance (note 4):	
Federal	2,083,775
Commonwealth of Massachusetts	8,217,607
Interest income	6,856
Gain on sale of capital assets	58,830
Interest expense	(29,765)
Total nonoperating revenues	<u>13,621,057</u>
Loss before reserves and capital grants	<u>(3,909,093)</u>
Extraordinary expense and stabilization fund reserves	<u>(58,638)</u>
Capital grants:	
Federal grants	1,453,591
Commonwealth of Massachusetts grant	1,806,187
Total capital grants	<u>3,259,778</u>
Decrease in net position	<u>(707,953)</u>
Net position, beginning of year	<u>19,199,564</u>
Net position, end of year	<u>\$ 18,491,611</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2022

Cash flows from operating activities:	
Passenger fares	\$ 2,284,500
Other cash receipts	284,387
Payments to operators	(12,340,250)
Payments to other vendors	(3,619,053)
Net cash used in operating activities	<u>(13,390,416)</u>
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	6,300,000
Principal paid on revenue anticipation notes	(6,100,000)
Contract assistance	13,226,635
Interest paid on revenue anticipation notes	(41,653)
Net cash provided by noncapital financing activities	<u>13,384,982</u>
Cash flows from capital and related financing activities:	
Receipt from capital grants	2,549,898
Purchase of capital assets	(2,798,563)
Proceeds from sale of fixed assets	58,830
Net cash used by capital and related financing activities	<u>(189,835)</u>
Cash flow from investing activity:	
Interest income	6,856
Net cash provided by investing activity	<u>6,856</u>
Net increase in unrestricted cash and short term investments and restricted cash	<u>(188,413)</u>
Unrestricted cash and short term investments and restricted cash, beginning of year	<u>2,788,228</u>
Unrestricted cash and short term investments and restricted cash, end of year	<u><u>\$ 2,599,815</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (17,530,150)
Adjustments:	
Depreciation	3,986,812
Change in deferred outflows - pension	(143,757)
Change in deferred inflows - pension	789,945
Change in deferred outflows - OPEB	(60,089)
Change in deferred inflows - OPEB	(19,364)
Changes in assets and liabilities:	
Other accounts receivable and other current assets	31,626
Payables and accrued expenses	(58,679)
Due to operators	364,532
Unearned revenue	(27,093)
Change in net pension liability	(758,532)
Change in net OPEB liability	34,333
Net cash used in operating activities	<u><u>\$ (13,390,416)</u></u>
Supplemental information:	
Increase in accounts payable attributable to capital assets	\$ 486,177

See accompanying notes to financial statements.

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

Statement of Fiduciary Net Position

June 30, 2022

Assets

	<u>OPEB Trust</u>
Cash and short term investments (note 6)	\$ 8,121
Investments:	
Fixed Income Mutual Funds	<u>802,978</u>
Total assets	<u>\$ 811,099</u>

Net Position

Net position restricted for postemployment benefits other than pensions	<u>\$ 811,099</u>
---	-------------------

See accompanying notes to financial statements.

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

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2022

Additions:	<u>OPEB Trust</u>
Employer Contributions	\$ 156,318
Investment Income	
Net decrease in fair value of investments	(44,790)
Interest and dividends	4,961
Less: investment expense	<u>(3,705)</u>
Net investment loss	<u>(43,534)</u>
Total additions	<u>112,784</u>
Deductions:	
Benefit Payments	<u>42,522</u>
Total deductions	<u>42,522</u>
Decrease in net position	70,262
Net position, beginning of year	<u>740,837</u>
Net position, end of year	<u>\$ 811,099</u>

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Notes to Financial Statements
June 30, 2022

(1) The Authority and Operations

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

The following towns are also members of the Authority:

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

(2) Summary of Significant Accounting Policies

(a) Reporting Entity and Basis of Accounting

In accordance with the requirements of the Governmental Accounting Standards Boards (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the financial statements present the Authority (the primary government) and its component units. The Authority has included a fiduciary fund component unit in the reporting entity because of the significance of their operational and financial relationship with the Authority. Component units are entities that are legally separate from the Authority, but are so related that they are, in substance, the same as the Authority or entities providing services entirely or almost entirely for the benefit of the Authority. Additionally, the Authority is a component unit of the Massachusetts Department of Transportation (MassDOT), and its financial statements are incorporated into the financial statements of the MassDOT.

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

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

Notes to Financial Statements

June 30, 2022

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

(b) Capital Assets

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the economic useful life of ten to thirty years for the transfer center and maintenance facility, five to twelve years for buses and support vehicles, twelve years for fareboxes, and three to ten years for miscellaneous equipment.

(c) Unearned Revenue

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

(d) Unrestricted Cash and Short-Term Investments

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

(e) Investments

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

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

(f) Reimbursed Cost of Service

The legislative act under which the Authority was established provides, among other things, that the Commonwealth reimburses the Authority for the "net cost of service," as defined. A portion of the amount not reimbursed is then assessed to the city and towns constituting the Authority. The "net cost of service," as defined, does not include a charge for depreciation. It does, however, include debt service payments made in connection with long-term indebtedness. For financial reporting purposes, the Authority follows the generally accepted accounting method of depreciating the cost of property over its economic useful life.

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

Notes to Financial Statements

June 30, 2022

(g) Capital Grants

The Authority receives capital grants from certain governmental agencies (Note 4) to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment.

(h) Pensions

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

(i) Other Postemployment Benefits

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

(j) Statement of Net Position

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

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

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use the restricted resources first, then unrestricted as they are needed.

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

Notes to Financial Statements

June 30, 2022

(I) Recently Adopted Accounting Pronouncements

For the fiscal year ended June 30, 2022, the Authority adopted the provision of GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying assets. Under GASB 87 a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about the Authority's leasing activities. The adoption of GASB 87 had no effect on the Authority's net position at June 30, 2022, or its changes in net position for the year then ended.

(3) Notes Payable

At June 30, 2022, the Authority had \$6,300,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 0.2783% and are due July 30, 2022.

	Outstanding at June 30, 2021	Issued	Retired	Outstanding at June 30, 2022
0.7660% revenue anticipation note	\$ 6,100,000	—	(6,100,000)	—
0.2783% revenue anticipation note	—	6,300,000	—	6,300,000
Total	\$ 6,100,000	6,300,000	(6,100,000)	6,300,000

Subsequent to year-end, the Authority retired \$6,300,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of \$6,100,000 of revenue anticipation notes with a weighted average net interest cost of 2.6599%, and are due July 28, 2023.

(4) Grants

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

The Authority is also eligible for grants for operating or contract assistance from the United States Department of Transportation. Pursuant to Section IX of the Act, as amended, the federal government may fund up to 50% of the Authority's net cost of service, as defined. Such funds for fiscal year 2022 amounted to \$1,961,758.

In addition, for the year ended June 30, 2022, the Authority recognized \$383,269 for federal and state grant programs.

The Commonwealth of Massachusetts provides for operating assistance to cover a portion of the Authority's net cost of service. Funds for fiscal year 2022 amounted to \$7,956,356.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Notes to Financial Statements
June 30, 2022

(5) Due to Operators

The balance at June 30, 2022 of \$1,000,221 includes parts and supplies inventories purchased by the operators for use in the Authority's buses and is stated at lower of cost or market.

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

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

(a) Restricted Cash

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

Extraordinary reserve	\$ 656,751
Stabilization fund	<u>518,932</u>
Total	\$ 1,175,683

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. As of June 30, 2022, the bank balances of uninsured and uncollateralized deposits totaled \$144,916. The carrying amount of deposits totaled \$293,401 at June 30, 2022.

(c) Investment Policy

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

(d) Interest Rate Risk

As of June 30, 2022, the Authority's short-term investment was in the MMDT. The fair value of the MMDT investment at June 30, 2022 was \$2,306,414, and its average maturity is less than one year.

(e) Credit Risk

As of June 30, 2022, the Authority's investment in the MMDT, was not rated.

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

Notes to Financial Statements

June 30, 2022

(f) Fair Value Measurements

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

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

(g) Liquidity

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

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

(a) Investment Summary

The OPEB Trust investments at June 30, 2022 are presented below. All investments are presented by investment type.

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<u>Debt securities:</u>			
Money market mutual funds	\$ 8,121	8,121	-
Fixed income mutual funds	802,978	802,978	-
Total investments	\$ 811,099	811,099	-

(b) Credit Risk

As of June 30, 2022, the OPEB Trust's investment in fixed income mutual funds were rated at AA+, and the investments in money market mutual funds was not rated.

As of June 30, 2022, the OPEB Trust's investments were not exposed to custodial or concentration credit risk.

(c) Fair Value Measurements

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

As of June 30, 2022, the OPEB Trust's investments in debt securities of \$811,099 were all classified at Level 1 in the fair value hierarchy, which have been valued using quoted prices in the active markets for those securities.

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

Notes to Financial Statements

June 30, 2022

(7) Unearned Revenue, Including Extraordinary Reserve and Stabilization Fund

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses that are both unusual in nature and infrequent in occurrence. The total reserve amount may not exceed 20% of the prior year's local assessment and the annual funding cannot exceed 3% of the current year's local assessment. The accumulated aggregate reserve of \$656,751 (which represents approximately 20% of the applicable local assessment of \$3,283,754) is included in unearned revenue in the accompanying statement of net position.

Chapter 161B of the General Laws of the Commonwealth has been amended to allow the Authority to establish a stabilization fund, which can be accessed for capital improvements or to offset an unforeseen and dramatic loss of revenue within a fiscal year. The Authority maintains a stabilization fund in the amount of \$518,932, which is included in unearned revenue in the accompanying statement of net position.

(8) Capital Assets

Capital assets consisted of the following at June 30, 2022:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	\$ 863,587	—	—	863,587
Total capital assets not being depreciated	863,587	—	—	863,587
Capital assets being depreciated:				
Transfer center and maintenance facility	17,530,127	557,753	507,075	17,580,805
Buses, fareboxes and support vehicles	34,362,093	2,574,679	2,324,255	34,612,517
Miscellaneous equipment	6,172,182	152,308	230,258	6,094,232
Total capital assets being depreciated	58,064,402	3,284,740	3,061,588	58,287,554
Less accumulated depreciation for:				
Transfer center and maintenance facility	13,235,388	688,673	507,075	13,416,986
Buses, fareboxes and support vehicles	20,067,326	3,026,930	2,324,255	20,770,001
Miscellaneous equipment	5,474,684	271,209	230,258	5,515,635
Total accumulated depreciation	38,777,398	3,986,812	3,061,588	39,702,622
Total capital assets being depreciated, net	19,287,004	(702,072)	—	18,584,932
Capital assets, net	\$ 20,150,591	(702,072)	—	19,448,519

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

Notes to Financial Statements

June 30, 2022

(9) Pension Plan

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2022

While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year. PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contribution to the pension plan for the year ended June 30, 2022 totaled \$96,941.

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, 2021 (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, 2022.

As of the measurement date the System reported a net pension liability of \$13,078,378 resulting in the Authority reporting a liability of \$39,395 for its proportionate share of the net pension liability in its June 30, 2022 Statement of Net Position. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the pension plan relative to the actual contributions of the participating employers.

The Authority's proportion was 0.27538% for fiscal year 2021 and 0.30122% for fiscal year 2022.

For the June 30, 2022 financial statements, the Authority recognized pension expense of (\$9,187) and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change of assumptions	\$ 236,011	—
Net difference between projected and actual earnings on pension plan investments	—	125,987
Difference between expected and actual experience	4,472	57,290
Changes in Authority's proportionate share	13,305	622,567
Contributions made subsequent to measurement date	103,157	—
Total	<u>\$ 356,945</u>	<u>805,844</u>

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

Notes to Financial Statements

June 30, 2022

The \$103,157 reported as deferred outflows of resources resulting from contributions made subsequent to measurement date will be recognized as a reduction in the net pension liability during fiscal year 2023. All other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (99,443)
2024	(143,465)
2025	(131,864)
2026	(139,566)
2027	(37,718)
Total	\$ <u>(552,056)</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 %
Salary increases	Based on years of service, ranging from 4.25% to 7.00%
Investment rate of return	6.75 %
Cost of living adjustment	3.00% of the first \$13,000 annually effective July 1, 2021 and \$14,000 effective July 1, 2022

The mortality rates applicable to nondisabled participants were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvements using Scale MP-2020. Disabled retirees used the RP-2014 Blue Collar Mortality Table set forward one year with full generationally mortality improvement using Scale MP-2020.

The long-term expected rate of return on System investments was determined using a best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the System's target asset allocation as of December 31, 2021 are summarized in the following table:

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

Notes to Financial Statements

June 30, 2022

<u>Asset class</u>	<u>Target allocation</u>	<u>expected real rate of return</u>
S&P 500 Index	7.00 %	4.25 %
US Small/Mid Cap Equity Index	3.00	4.17
State Street Global Index	10.00	4.30
Global Low Beta Equities	20.00	5.54
World Equity	10.00	5.89
U.S. High Yield	3.00	4.36
Emerging Markets Debt	3.00	5.00
Limited Duration Fixed Income	8.00	1.85
Core Fixed Income	4.00	2.57
Private Real Estate	10.00	3.77
Multi-Strategy Real Assets	5.00	2.73
Directional Hedge	5.00	5.00
Structured Credit	2.00	7.00

Discount rate. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the pattern of contributions observed over the last five years. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	<u>1% Decrease (5.75%)</u>	<u>Current discount rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
The Authority's proportionate share of the net pension liability	\$ 326,650	39,395	(203,767)

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

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Notes to Financial Statements
June 30, 2022

(10) Other Postemployment Benefit (OPEB) Disclosures

The Authority established an Other Postemployment Benefits (OPEB) Irrevocable Trust. The trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees.

OPEB Trust Reporting – GASB 74

(a) Plan Membership

At June 30, 2022, membership consisted of 8 active plan members and 4 inactive plan members or beneficiaries currently receiving benefits.

(b) Benefits Provided

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

(c) Contributions

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

For the fiscal year ended June 30, 2022, the employer contributions totaled \$156,318. The Trust did not receive contributions from any other sources.

(d) Investment Policy

The OPEB Trust's policy in regard to the allocation of investments is established and may be amended by the trustees. The following was the trustees adopted asset allocation policy as of June 30, 2022:

<u>Asset class</u>	<u>Target allocation</u>
Domestic fixed income	100.00 %

(e) Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (5.78%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Notes to Financial Statements
June 30, 2022

(f) Net OPEB Liability of the Authority

The components of the net OPEB liability of the Authority at June 30, 2022 measurement date, were as follows:

Total OPEB liability	\$ 998,871
Plan fiduciary net position	(811,099)
Authority's net OPEB liability	<u>\$ 187,772</u>
Plan fiduciary net position as a percentage of the total OPEB liability	81.20%

Actuarial Assumptions. In the July 1, 2021 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 3.25% investment rate of return, 3.31% discount rate, and projected salary increases of 3% and long-term health care cost trend rate of 4.50%. The pre-retirement and post-retirement mortality are represented by the RP-2014 mortality tables projected generationally with scale MP-2016.

The long-term expected rate of return on OPEB Trust investments was determined using a best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the OPEB Trust's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Domestic fixed income	1.00 %

Discount Rate. The discount rate used to measure the total OPEB liability was 3.31%. The discount rate was selected using a blend of the Municipal Bond Index Rate (4.09% at June 30, 2022) for unfunded periods and the Investment Rate of Return (3.25% at June 30, 2022) for funded periods.

Authority Reporting – GASB 75

(g) Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2022 for the year ended June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

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

Notes to Financial Statements

June 30, 2022

(h) Changes in the Net OPEB Liability

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balances at June 30, 2021 - measurement date	\$ 894,276	740,837	153,439
Changes for the year:			
Service cost	35,268	-	35,268
Interest	32,525	-	32,525
Changes in assumptions	47,924	-	47,924
Differences between expected and actual experience	31,400	-	31,400
Contributions	-	156,318	(156,318)
Net investment income	-	(43,534)	43,534
Benefit payments	(42,522)	(42,522)	-
Net changes	104,595	70,262	34,333
Balances at June 30, 2022 - measurement date	\$ 998,871	811,099	187,772

Sensitivity of the total OPEB liability to changes in the discount rate. In the event the discount rate was 1% higher or lower than forecast and employee contributions were to increase at the forecast rates, the total OPEB liability as of the June 30, 2022 measurement date would change as follows:

	1% Decrease (2.31%)	Current discount rate (3.31%)	1% Increase (4.31%)
Net OPEB liability (asset)	\$ 383,608	187,772	35,467

Sensitivity of the total OPEB liability to changes in the healthcare trend. In the event that healthcare trend rates were 1% higher or lower than forecast and employee contributions were to increase at the forecast rates, the total OPEB liability as of the June 30, 2022 measurement date would change as follows:

	1% Decrease (3.50%)	Current trend rate (4.50%)	1% Increase (5.50%)
Net OPEB liability (asset)	\$ 32,870	187,772	394,270

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

Notes to Financial Statements

June 30, 2022

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

For the year ended June 30, 2022, the Authority recognized OPEB expense of \$111,198. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 71,461	15,278
Net difference between projected and actual earnings on OPEB plan investments	72,530	—
Changes in assumptions	147,430	15,705
Total	<u>\$ 291,421</u>	<u>30,983</u>

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

Year ended June 30:	
2023	\$ 69,293
2024	71,608
2025	61,352
2026	43,031
2027	12,834
Thereafter	2,320
Total	<u>\$ 260,438</u>

(11) Commitments and Contingencies

The Authority is party to claims in the normal course of business. Management believes that there is no significant liability associated with these claims.

The Authority has an agreement with a vendor to provide tires for the Authority's vehicles. The agreement is effective through March 31, 2023, with two one-year options to renew. The Authority pays the vendor a fixed rate per tire per tire mile. For the fiscal year ended June 30, 2022, the Authority incurred \$64,943 related to this agreement.

The Authority has received capital and operating financial assistance from federal and state agencies in the form of grants. Funds spent under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. There were no known disallowances in the fiscal year ended June 30, 2022.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Notes to Financial Statements
June 30, 2022

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

The Administrator, date of hire of May 1, 2019, compensation for fiscal year 2022 was \$144,602 plus \$3,600 auto allowance. The Administrator has waived the family health insurance plan in FY 2022.

The Chief Financial Officer (CFO), date of hire of February 15, 1999, compensation for fiscal year 2022 was \$121,584. The CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

Advisory Board members and officers do not receive compensation.

(13) Subsequent Events

The Authority has evaluated events subsequent to June 30, 2022 through September 26, 2022, the date the financial statements were available for issuance, and determined that other than the RAN refinancing discussed in Note 3, there are no material items that would require recognition or disclosure in the Authority's financial statements.

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

Required Supplementary Information (unaudited)

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.30122%	0.27536%	0.27331%	0.27000%	0.26718 %	0.21998 %	0.21953 %	0.25170 %
Authority's proportionate share of the net pension liability	\$ 39,395	797,927	766,412	794,622	644,451	528,549	523,440	459,550
Authority's covered payroll	\$ 580,410	551,947	594,903	656,845	521,461	495,684	495,684	361,871
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	6.8%	144.6%	128.8%	121.0%	123.6%	106.6%	105.6 %	127.0%
Plan fiduciary net position as a percentage of total pension liability	9844%	62%	61%	57%	63%	61%	60%	67%

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

Notes to the RSI Schedule

Changes of Benefit Terms (December 31, 2019 Measurement Date): COLA base was increased from \$12,000 to \$13,000 effective July 1, 2021, and increase to \$14,000 effective July 1, 2022.

Changes of Assumptions (December 31, 2019 Measurement Date): Inflation rate was reduced to 2.5% from 3.5% in the January 1, 2018 Valuation. Mortality Tables were updated to RP-2014 Blue Collar Mortality Table using Scale MP-2018 from RP-2000 Mortality Table using Scale BB in January 1, 2018 Valuation

Changes of Assumptions (December 31, 2019 Measurement Date): Investment return rate was reduced from 7.75% to 7.50%

Changes of Assumptions (December 31, 2021 Measurement Date): Investment return rate was reduced from 7.50% to 6.75%

See accompanying independent auditors' report.

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

Required Supplementary Information (unaudited)

Schedule of Employer Contributions – Pension

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's contractually required contribution	\$ 96,941	83,609	76,834	70,280	66,833	44,159	42,348	48,553
Authority's contributions in relation to the contractually required contribution	96,941	83,609	76,834	70,280	66,833	44,159	42,348	48,553
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—	—
Authority's covered payroll	\$ 580,410	551,947	594,903	656,845	521,461	495,684	495,684	361,871
Contributions as a percentage of covered payroll	17%	15%	13%	11%	13%	9%	9%	13%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

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

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

See accompanying independent auditors' report.

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

Required Supplementary Information (unaudited)

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

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 35,268	33,851	26,596	29,680	30,770	31,987
Interest	32,525	32,321	30,891	26,746	24,700	24,870
Differences between actual and expected experience	31,400	(18,057)	16,443	112,218	—	(52,155)
Changes in assumptions	47,924	139,463	32,579	(48,077)	—	—
Benefit payments	(42,522)	(39,487)	(39,948)	(11,101)	(6,732)	(7,866)
Net change in total OPEB liability	104,595	148,091	66,561	109,466	48,738	(3,164)
Total OPEB liability - beginning	894,276	746,185	679,624	570,158	521,420	524,584
Total OPEB liability - ending (a)	\$ 998,871	894,276	746,185	679,624	570,158	521,420
Plan fiduciary net position						
Contributions - Employer	156,318	183,886	13,974	142,304	17,326	—
Net investment income	(43,534)	(4,971)	25,121	17,307	(2,529)	(3,821)
Benefit payments	(42,522)	(39,487)	(39,948)	(11,101)	(6,732)	(7,866)
Net change in plan fiduciary net position	70,262	139,428	(853)	148,510	8,065	(11,687)
Plan fiduciary net position - beginning	740,837	601,409	602,262	453,752	445,687	457,374
Plan fiduciary net position - ending (b)	\$ 811,099	740,837	601,409	602,262	453,752	445,687
Authority's net OPEB liability - ending (a) - (b)	\$ 187,772	153,439	144,776	77,362	116,406	75,733
Plan fiduciary net position as a percentage of the total OPEB liability	81.20%	82.84%	80.60%	88.62%	79.58%	85.48%
Covered Payroll	\$ 629,556	559,813	529,204	641,518	608,457	608,457
Authority's net OPEB liability as a percentage of covered payroll	29.83%	27.41%	27.36%	12.06%	19.13%	12.45%

Notes to the RSI Schedule

Changes of Assumptions (June 30, 2022): Discount rate was reduced to 3.31% from 3.58%

Changes of Assumptions (June 30, 2021): Discount rate was reduced to 3.58% from 4.25%

Changes of Assumptions (June 30, 2020): Discount rate was reduced to 4.25% from 4.50%, mortality tables were updated from the RP-2000 Employees Mortality Table to the RP-2014 Mortality Table, long-term expected medical trend was updated to 4.50%

Changes of Assumptions (June 30, 2019): Discount rate was increased to 4.50% from 4.00%

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

See accompanying independent auditors' report.

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

Required Supplementary Information (unaudited)
Schedule of Employer Contributions – OPEB

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 41,801	37,297	34,873	34,225	35,219	36,436
Contributions in relation to the actuarially determined contribution	<u>156,318</u>	<u>183,886</u>	<u>13,974</u>	<u>142,304</u>	<u>17,326</u>	<u>—</u>
Contribution deficiency (excess)	\$ <u>(114,517)</u>	<u>(146,589)</u>	<u>20,899</u>	<u>(108,079)</u>	<u>17,893</u>	<u>36,436</u>
Covered payroll	\$ 629,556	559,813	529,204	641,518	608,457	608,457
Contributions as a percentage of covered payroll	25%	33%	3%	22%	3%	0%

Notes to Schedule:

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

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

See accompanying independent auditors' report.

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

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	-5.78%	-0.81%	4.17%	3.81%	-0.57%	-0.84%

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

See accompanying independent auditors' report.

Schedule 1

BROCKTON AREA TRANSIT AUTHORITY

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

Supplemental Schedule of Net Cost of Service

Year ended June 30, 2022

	<u>Total urbanized area service</u>
Operating costs:	
Operating and administrative costs (excluding depreciation)	\$ 1,187,740
Purchased services:	
Fixed route	11,412,214
Demand response	3,507,737
Debt service – interest expense	29,765
Total operating costs	<u>16,137,456</u>
Federal operating assistance and other assistance:	
Federal Transportation Administration operating and administrative	1,961,758
Other	383,268
Total federal operating assistance and other assistance	<u>2,345,026</u>
Revenues:	
Operating:	
Farebox revenue	1,618,326
Service and other third-party reimbursements	780,685
Other revenue:	
Advertising	114,174
Facility and parking income	46,714
Interest income	6,856
Miscellaneous	63,285
Total revenues	<u>2,630,040</u>
Net operating deficit	11,162,390
Adjustment:	
Extraordinary expenses reserve	16,138
Stabilization fund	42,500
Capital Transit Grant Program vehicle options and miscellaneous	19,082
Net cost of service	<u>11,240,110</u>
Net cost of service funding:	
Local assessments	3,283,754
State contract assistance	7,956,356
Subtotal state contract assistance to be funded	<u>—</u>
Balance requested from the State on June 30, 2022	<u>\$ —</u>

See accompanying independent auditors' report.

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

Supplemental Schedule of Net Cost of Service – Calculation Worksheet

Year ended June 30, 2022

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	\$ 15,489,631
	Allowable percentage increase	<u>2.5 %</u>
	Prior year net operating expense times 2.5%	<u>387,241</u>
	Current year allowable net operating expense	<u>\$ 15,876,872</u>
B.	Extraordinary expenses	\$ 16,138
	Prior year local assessment	<u>3,283,754</u>
	Percentage of extraordinary to prior year local assessment (not to exceed 3%)	<u>0.49%</u>
C.	Aggregate amount of reserve account at June 30	\$ 656,751
	Prior year local assessment	<u>3,283,754</u>
	Percentage of reserve account to prior year local assessment (not to exceed 20%)	<u>20.00%</u>
D.	State the management fee paid to major service providers as a percentage of operating costs incurred	2.35%
E.	State the percentage of benefits paid by BAT on behalf of BAT employees for:	
	Group life and accidental death insurance	100%
	Group health insurance	75%
F.	State the brokerage service contracts' costs as a percentage of total operating costs	—
G.	Stabilization fund:	
	Current year	42,500
	Aggregate balance	\$ 518,932

See accompanying independent auditors' report.