

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, 2024

(With Independent Auditors' Report Thereon)



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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	4–9
Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15–30
Required Supplementary Information (unaudited)	
Schedule of Proportionate Share of the Net Pension Liability	31
Schedule of Employer Contributions – Pension	32
Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios	33
Schedule of Employer Contributions – OPEB	34
Schedule of Investment Returns – OPEB Trust	35
Supplemental Schedules	
1 Schedule of Net Cost of Service	36
2 Schedule of Net Cost of Service – Calculation Worksheet	37



INDEPENDENT AUDITORS' REPORT

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 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, 2024, 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, 2024, 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 24, 2024, 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.



CliftonLarsonAllen LLP

Boston, Massachusetts
September 24, 2024

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation – MassDOT)
Required Supplementary Information
Management's Discussion and Analysis
June 30, 2024
(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, 2024. 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 \$24,557,769.
- The Authority's total net position increased by \$5,391,013. This change is due to an increase in total assets, primarily capital grants receivable and deferred outflows related to pensions that exceed the increase in total liabilities and deferred inflows of resources, primarily in accounts payable for capital assets and net pension liability.
- 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, 2024

(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				
	2024	2023	Changes by dollar	Changes by percentage
Current and other assets	\$ 16,149,812	10,743,752	5,406,060	50.3 %
Capital assets, net	25,627,400	20,123,665	5,503,735	27.3
Noncurrent assets	1,688,312	1,594,797	93,515	5.9
Deferred outflows of resources related to pensions and OPEB	1,088,961	1,565,815	(476,854)	(30.5)
Total assets and deferred outflows of resources	\$ 44,554,485	34,028,029	10,526,456	30.9 %
Current liabilities	\$ 9,548,786	5,303,857	4,244,929	80.0 %
Long term liabilities	8,611,570	7,342,384	1,269,186	17.3
Long term net pension and OPEB liabilities	1,109,907	1,527,842	(417,935)	(27.4)
Deferred inflows of resources related to pensions and OPEB	726,453	687,190	39,263	5.7
Total liabilities and deferred inflows of resources	\$ 19,996,716	14,861,273	5,135,443	34.6 %
Net position:				
Net investment in capital assets	\$ 18,496,911	16,769,062	1,727,849	10.3 %
Unrestricted	6,060,858	2,397,694	3,663,164	152.8
Total net position	\$ 24,557,769	19,166,756	5,391,013	28.1 %

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

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2024

(Unaudited)

	<u>2024</u>	<u>2023</u>	<u>Changes by dollar</u>	<u>Changes by percentage</u>
Operating revenues:				
Passenger fares	\$ 1,699,483	2,565,707	(866,224)	(33.8)%
Other operating revenues	254,848	240,195	14,653	6.1
Total operating revenues	<u>1,954,331</u>	<u>2,805,902</u>	<u>(851,571)</u>	<u>(30.3)</u>
Operating expenses:				
Transportation services	14,367,611	12,541,143	1,826,468	14.6
Other operating expenses	5,160,404	4,959,280	201,124	4.1
Total operating expenses, excluding depreciation	19,528,015	17,500,423	2,027,592	11.6
Depreciation	3,733,797	3,744,394	(10,597)	(0.3)
Total operating expenses, including depreciation	<u>23,261,812</u>	<u>21,244,817</u>	<u>2,016,995</u>	<u>9.5</u>
Operating loss	<u>(21,307,481)</u>	<u>(18,438,915)</u>	<u>(2,868,566)</u>	<u>15.6</u>
Nonoperating revenues (expenses):				
Contract assistance and local assessments	17,745,554	14,776,381	2,969,173	20.1
Other	(98,532)	(7,298)	(91,234)	1,250.1
Total nonoperating revenues	<u>17,647,022</u>	<u>14,769,083</u>	<u>2,877,939</u>	<u>19.5</u>
Loss before extraordinary expense reserve and capital grants	(3,660,459)	(3,669,832)	9,373	(0.3)
Extraordinary expense and stabilization reserves	(59,417)	(63,575)	4,158	(6.5)
Capital grants	9,110,889	4,408,552	4,702,337	106.7
Increase in net position	5,391,013	675,145	4,715,868	698.5
Beginning net position	19,166,756	18,491,611	675,145	3.7
Ending net position	<u>\$ 24,557,769</u>	<u>19,166,756</u>	<u>5,391,013</u>	<u>28.1 %</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, 2024

(Unaudited)

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

- Total operating expenses, excluding depreciation, increased overall by \$2,027,592 or 11.59%, as a result of increases in transportation service, labor and fringe benefit expenses, contract services, fuel, insurance, and interest expense.
- Interest expense increased by \$87,618 over the prior year with a \$100,000 increase in borrowing and an increase in the weighted average net interest cost to 3.8826% from 3.6680%.
- Federal operating assistance decreased by \$793,017, or approximately 27.1% due to an increase of \$3,382,871 in state contract assistance that covered increases in operating costs.
- Commonwealth of Massachusetts state contract assistance increased to \$11,330,390 and Brockton Area Transit Authority received grants totaling \$1,656,372 to fund a farefree program into FY2025.
- Other contracts increased by \$42,763 or 19.6% as the Commonwealth of Massachusetts provided contracts to continue operating services in the communities of Avon, Stoughton and Rockland.
- Revenues from assessments from member municipalities increased by \$84,729, or 2.5%, as a result of the statutorily allowed annual 2.5% increase.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2024 and 2023 amounted to \$25,627,400 and \$20,123,665, 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>2024</u>	<u>2023</u>
Construction in progress	\$ 1,127,225	—
Transfer center and maintenance facility	577,206	985,801
Buses, fareboxes, and support vehicles	7,210,859	3,274,598
Miscellaneous equipment	322,242	159,141
Total	<u>\$ 9,237,532</u>	<u>4,419,540</u>

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. In fiscal year 2024, state capital funds provided for 42.7% of the overall capital program. Fixed route vehicles totaling \$5,112,710 were acquired with 50% state capital funds and 50% federal capital funds. Capital asset additions increased by \$4,817,991 over the prior year due to an increase in fixed route fleet additions, construction in progress on battery electric bus infrastructure, vehicle overhauls, replacement of facilities security system, replacement of several bus shelters, and purchase of mobile bus chargers.

At year-end, the Authority had \$6,200,000 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, 2024

(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 FY24 the use of federal formula funds decreased by 27.1% compared to the prior year. This decrease was due primarily to a corresponding influx of new state revenues provided by the recently passed Fair Share Amendment. Overall state assistance increased from \$8,242,295 in FY23 to \$11,876,990 in FY24, due to increased operating funds and a grant to provide six months of fare-free service. Local Assessments increased from \$3,389,181 to \$3,473,910. Overall farebox revenues dropped by 50% due to the suspension of fare collection. Other revenues including agency, parking, rental income, and bus advertising decreased over the prior year by a combined 3.4%. Total federal relief funds remaining in the amount of \$11,564,895 from the federal allocations from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) fund and American Rescue Plan Act (ARPA) will allow BAT to continue to sustain increased service levels for the next several fiscal years as ridership continues to grow due to improved frequencies and the state's fare free grant program.

Monthly average fixed route ridership increased by approximately 30% in FY24 over the previous fiscal year and stood at pre-pandemic levels (FY19) by the end of June. Accordingly, BAT added to service frequencies to accommodate the higher demand. To replace those customers lost to hybrid work schedules and other pandemic impacts, BAT has begun implementing innovative approaches to transportation provision. A new microtransit service connecting the municipalities of Rockland and Brockton soft-launched in December of 2022 and has more than doubled the ridership of the fixed route it replaced. This fiscal year a subsidized taxi/Uber/Lyft program will be initiated to provide transit options to second or third shift workers.

Additionally, while still focusing on preventive maintenance and regular capital investment, BAT has begun a strategic conversion of its fleet to alternative fuel sources. Buoyed by a \$10.8M federal grant, BAT received five battery electric buses at the end of June and is currently building out its charging infrastructure. The buses will be strategically worked into daily operations and tested in a variety of conditions. Evaluations are also currently underway regarding the longer-term construction of solar canopies designed to offer redundancy and reduce charging costs.

Overall, BAT remains in a strong financial position due to revenue streams consisting of increased state funding, level federal funding, COVID recovery monies, and discretionary grants. The FY25 state budget contains an inflationary increase in funding for regional transit, as well as additional funds to run a nine-month fare free pilot program. Although FTA formula funds remained generally level, BAT's allocation of CARES, CRRSSA, and ARPA funds continue to support operations and are programmed out through 2029. BAT's commitment to seeking and winning competitive grants, combined with a conservative approach to budgeting and spending, has allowed the Authority the ability to combine service increases with fiscal stability. Barring any significant changes to annual funding, BAT's pro forma indicates the continued ability to maintain or increase service levels over the next five years.

BROCKTON AREA TRANSIT AUTHORITY

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

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2024

(Unaudited)

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, 2024

Assets and Deferred Outflows

Current assets:	
Unrestricted cash and short term investments (note 6)	\$ 2,342,143
Restricted cash (note 6)	1,298,675
Receivables for operating assistance:	
Commonwealth of Massachusetts and cities and towns	3,641,516
United States Department of Transportation	761,660
Receivables for capital grants:	
Commonwealth of Massachusetts	3,774,931
United States Department of Transportation	4,086,241
Other accounts receivable, net	163,989
Other current assets	<u>80,657</u>
Total current assets	<u>16,149,812</u>
Noncurrent assets:	
Capital assets (note 8):	
Land	863,587
Construction in Progress	1,127,225
Transfer center and maintenance facility	18,949,347
Buses, fareboxes, and support vehicles	42,815,502
Miscellaneous equipment	6,205,374
Less accumulated depreciation	<u>(44,333,635)</u>
Total capital assets, net	25,627,400
Receivable from cities and towns	<u>1,688,312</u>
Total noncurrent assets, net	<u>27,315,712</u>
Total assets	43,465,524
Deferred outflows of resources related to pensions (note 9)	908,531
Deferred outflows of resources related to OPEB (note 10)	<u>180,430</u>
Total assets and deferred outflows of resources	<u>\$ 44,554,485</u>

Liabilities and Deferred Inflows

Current liabilities:	
Accounts payable and accrued expenses	\$ 7,617,989
Retainage payable	112,723
Compensated absences	264,409
Due to operators (note 5)	1,296,365
Accrued interest	<u>257,300</u>
Total current liabilities	9,548,786
Long term liabilities:	
Unearned revenue (note 7)	2,411,570
Notes payable (note 3)	6,200,000
Net pension liability (note 9)	1,096,047
Net OPEB liability (note 10)	<u>13,860</u>
Total liabilities	19,270,263
Deferred inflows of resources related to pensions (note 9)	508,789
Deferred inflows of resources related to OPEB (note 10)	<u>217,664</u>
Total liabilities and deferred inflows of resources	<u>\$ 19,996,716</u>

Net Position

Net investment in capital assets	\$ 18,496,911
Unrestricted	6,060,858
Commitments and contingencies (note 11)	
Total net position	<u>\$ 24,557,769</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, 2024

Operating revenues:		
Passenger fares	\$	1,699,483
Reimbursement of maintenance		92,741
Facility and parking income		59,186
Advertising		100,131
Miscellaneous		2,790
		<u>1,954,331</u>
Total operating revenues		<u>1,954,331</u>
Operating expenses:		
Transportation services		14,367,611
Materials, supplies, and maintenance		1,861,720
Insurance		1,439,555
Professional and management services		678,452
Marketing and advertising		7,339
Administrative and general		1,173,338
		<u>19,528,015</u>
Total operating expenses, excluding depreciation		<u>19,528,015</u>
Depreciation		<u>3,733,797</u>
		<u>23,261,812</u>
Total operating expenses, including depreciation		<u>23,261,812</u>
Operating loss		<u>(21,307,481)</u>
Nonoperating revenues (expenses):		
Local assessments		3,473,910
Contract assistance (note 4):		
Federal		2,394,651
Commonwealth of Massachusetts		11,876,993
Interest income		152,742
Interest expense		(251,274)
		<u>17,647,022</u>
Total nonoperating revenues		<u>17,647,022</u>
Loss before reserves and capital grants		<u>(3,660,459)</u>
Extraordinary expense and stabilization fund reserves		<u>(59,417)</u>
Capital grants:		
Federal grants		5,038,489
Commonwealth of Massachusetts grant		4,072,400
		<u>9,110,889</u>
Total capital grants		<u>9,110,889</u>
Increase in net position		5,391,013
Net position, beginning of year		<u>19,166,756</u>
Net position, end of year	\$	<u><u>24,557,769</u></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, 2024

Cash flows from operating activities:	
Passenger fares	\$ 2,809,252
Other cash receipts	257,655
Payments to operators	(14,526,300)
Payments to other vendors	(3,816,973)
	<u>(15,276,366)</u>
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	6,300,000
Principal paid on revenue anticipation notes	(6,200,000)
Contract assistance	17,797,528
Interest paid on revenue anticipation notes	(204,297)
	<u>17,693,231</u>
Net cash provided by noncapital financing activities	
Cash flows from capital and related financing activities:	
Receipt from capital grants	5,045,643
Purchase of capital assets	(6,126,141)
	<u>(1,080,498)</u>
Net cash used by capital and related financing activities	
Cash flow from investing activity:	
Interest income	152,742
	<u>152,742</u>
Net cash provided by investing activity	
Net decrease in unrestricted cash and short term investments and restricted cash	
	1,489,109
Unrestricted cash and short term investments and restricted cash, beginning of year	<u>2,151,709</u>
Unrestricted cash and short term investments and restricted cash, end of year	<u>\$ 3,640,818</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (21,307,481)
Adjustments:	
Depreciation	3,733,797
Change in deferred outflows - pension	381,443
Change in deferred inflows - pension	(160,906)
Change in deferred outflows - OPEB	95,411
Change in deferred inflows - OPEB	200,169
Changes in assets and liabilities:	
Other accounts receivable and other current assets	2,807
Payables and accrued expenses	878,156
Due to operators	208,404
Unearned revenue	1,109,769
Change in net pension liability	(201,453)
Change in net OPEB liability	(216,482)
	<u>(15,276,366)</u>
Net cash used in operating activities	
Supplemental information:	
Increase in accounts payable attributable to capital assets	\$ 3,114,394

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, 2024

Assets

	<u>OPEB Trust</u>
Cash and short term investments (note 6)	\$ 8,383
Investments:	
Fixed Income Mutual Funds	<u>835,607</u>
Total assets	<u>\$ 843,990</u>

Net Position

Net position restricted for postemployment benefits other than pensions	<u>\$ 843,990</u>
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See accompanying notes to financial statements.

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

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2024

		OPEB Trust
Additions:		
Employer Contributions	\$	<u>5,137</u>
Investment Income		
Net decrease in fair value of investments		(9,140)
Interest and dividends		35,848
Less: investment expense		<u>(4,261)</u>
Net investment income		<u>22,447</u>
Total additions		<u>27,584</u>
Deductions:		
Benefit Payments		<u>30,497</u>
Total deductions		<u>30,497</u>
Decrease in net position		(2,913)
Net position, beginning of year		<u>846,903</u>
Net position, end of year	\$	<u><u>843,990</u></u>

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

(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, 2024

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, 2024

(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, 2024

(I) Recently Issued but Not Yet Effective Accounting Pronouncements

In June 2022, GASB issued GASB Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. GASB 101 is effective for fiscal years beginning after December 15, 2023. The Authority is currently evaluating the impact of the new standard on its financial statements and related disclosures.

(3) Notes Payable

At June 30, 2024, the Authority had \$6,200,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 3.8826% and are due July 26, 2024.

	Outstanding at June 30, 2023	Issued	Retired	Outstanding at June 30, 2024
3.6680% revenue anticipation note	\$ 6,100,000	—	(6,100,000)	—
3.8826% revenue anticipation note	—	6,200,000	—	6,200,000
Total	\$ <u>6,100,000</u>	<u>6,200,000</u>	<u>(6,100,000)</u>	<u>6,200,000</u>

Subsequent to year-end, the Authority retired \$6,200,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of \$5,900,000 of revenue anticipation notes with a weighted average net interest cost of 3.9580% and are due July 25, 2025.

(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 2024 amounted to \$2,133,842.

In addition, for the year ended June 30, 2024, the Authority recognized federal Community Transit Grants in the amount of \$157,819 and a federal Congestion Mitigation and Air Quality grant in the amount of \$102,990.

- The Commonwealth of Massachusetts provides for operating assistance to cover a portion of the Authority's net cost of service. Funds for fiscal year 2024 amounted to \$11,876,993, including \$546,603 of a \$1,656,372 "Try Transit" FareFree contract effective through FY2025.

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

(5) Due to Operators

The balance at June 30, 2024 of \$1,296,366 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	\$ 694,743
Stabilization fund	<u>603,932</u>
Total	\$ 1,298,675

(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, 2024, the bank balances of uninsured and uncollateralized deposits totaled \$304,896. The carrying amount of deposits totaled \$485,822 at June 30, 2024.

(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, 2024, the Authority's short-term investment was in the MMDT. The fair value of the MMDT investment at June 30, 2024 was \$3,154,996, and its average maturity is less than one year.

(e) Credit Risk

As of June 30, 2024, 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, 2024

(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, 2024 are presented below. All investments are presented by investment type.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
<u>Debt securities:</u>			
Money market mutual funds	\$ 8,383	8,383	-
Fixed income mutual funds	835,607	835,607	-
Total investments	\$ 843,990	843,990	-

(b) Credit Risk

As of June 30, 2024, the OPEB Trust's investment in fixed income mutual funds and money market mutual funds were not rated.

As of June 30, 2024, 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, 2024, the OPEB Trust's investments in debt securities of \$843,990 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, 2024

(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 \$694,743 (which represents approximately 20% of the applicable local assessment of \$3,473,910) 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 \$603,932, 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, 2024:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated:				
Land	\$ 863,587	—	—	863,587
Construction in progress	—	1,127,225	—	1,127,225
Total capital assets not being depreciated	<u>863,587</u>	<u>1,127,225</u>	<u>—</u>	<u>1,990,812</u>
Capital assets being depreciated:				
Transfer center and maintenance facility	18,374,740	577,206	2,600	18,949,346
Buses, fareboxes and support vehicles	35,677,212	7,210,859	72,569	42,815,502
Miscellaneous equipment	5,995,243	322,242	112,111	6,205,374
Total capital assets being depreciated	<u>60,047,195</u>	<u>8,110,307</u>	<u>187,280</u>	<u>67,970,222</u>
Less accumulated depreciation for:				
Transfer center and maintenance facility	13,881,944	721,637	2,600	14,600,981
Buses, fareboxes and support vehicles	21,430,779	2,765,793	72,569	24,124,003
Miscellaneous equipment	5,474,394	246,367	112,111	5,608,650
Total accumulated depreciation	<u>40,787,117</u>	<u>3,733,797</u>	<u>187,280</u>	<u>44,333,634</u>
Total capital assets being depreciated, net	<u>19,260,078</u>	<u>4,376,510</u>	<u>—</u>	<u>23,636,588</u>
Capital assets, net	<u>\$ 20,123,665</u>	<u>5,503,735</u>	<u>—</u>	<u>25,627,400</u>

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

(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, 2024

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, 2024 totaled \$125,220.

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, 2023 (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, 2024.

As of the measurement date, the System reported a net pension liability of \$146,635,020 resulting in the Authority reporting a liability of \$1,096,047 for its proportionate share of the net pension liability in its June 30, 2024 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 1.05699% for fiscal year 2023 and 0.74747% for fiscal year 2024.

For the June 30, 2024 financial statements, the Authority recognized pension expense of \$153,906 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	\$ 283,465	—
Net difference between projected and actual earnings on pension plan investments	244,283	—
Difference between expected and actual experience	244,333	76,498
Changes in Authority's proportionate share	1,630	432,291
Contributions made subsequent to measurement date	134,820	—
Total	<u>\$ 908,531</u>	<u>508,789</u>

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

The \$134,820 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 2024. 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:	
2025	\$ 54,831
2026	37,407
2027	147,792
2028	12,376
2029	12,516
Total	\$ <u>264,922</u>

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
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 \$14,000 annually effective July 1, 2023

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, 2023 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, 2024

Asset class	Target allocation	expected real rate of return
S&P 500 Index	17.00 %	5.00 %
US Small/Mid Cap Equity Index	4.00	5.13
State Street Global Index	14.00	5.04
Global Low Beta Equities	5.00	6.24
World Equity	10.00	6.64
U.S. High Yield	3.00	5.02
Emerging Markets Debt	3.00	5.75
Limited Duration Fixed Income	8.00	2.46
Core Fixed Income	9.00	3.47
Private Real Estate	10.00	4.58
Multi-Strategy Real Assets	10.00	10.06
Directional Hedge	5.00	5.01
Structured Credit	2.00	8.77

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:

	1% Decrease (5.75%)	Current discount rate (6.75%)	1% Increase (7.75%)
The Authority's proportionate share of the net pension liability	\$ 1,809,623	1,096,047	424,983

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, 2024

(10) Other Postemployment Benefit (OPEB) Disclosures

The Authority established an Other Postemployment Benefits (OPEB) Irrevocable Trust, a single-employer plan. 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, 2024, membership consisted of 7 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, 2024, the employer contributions totaled \$5,137. 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, 2024:

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

(e) Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 2.65%. 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, 2024

(f) Net OPEB Liability of the Authority

The components of the net OPEB liability of the Authority at June 30, 2024 measurement date, were as follows:

Total OPEB liability	\$	857,850
Plan fiduciary net position		<u>(843,990)</u>
Authority's net OPEB liability	\$	<u><u>13,860</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		98.38%

Actuarial Assumptions. In the July 1, 2023 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.53% investment rate of return, 4.53% discount rate, and projected salary increases of 3% and long-term health care cost trend rate of 5.0%. 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, 2024 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Domestic fixed income	2.30 %

Discount Rate. The discount rate used to measure the total OPEB liability was 4.53%. The discount rate was selected using a blend of the Municipal Bond Index Rate (4.21% at June 30, 2024) for unfunded periods and the Investment Rate of Return (4.53% at June 30, 2023) for funded periods.

Authority Reporting – GASB 75

(g) Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2024 for the year ended June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023.

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

(h) Changes in the Net OPEB Liability

	Increase (decrease)		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balances at June 30, 2023 - measurement date	\$ 1,077,245	846,903	230,342
Changes for the year:			
Service cost	38,878	-	38,878
Interest	36,333	-	36,333
Changes in assumptions	(180,782)	-	(180,782)
Differences between expected and actual experience	(83,327)	-	(83,327)
Contributions	-	5,137	(5,137)
Net investment income	-	22,447	(22,447)
Benefit payments	(30,497)	(30,497)	-
Net changes	<u>(219,395)</u>	<u>(2,913)</u>	<u>(216,482)</u>
Balances at June 30, 2024 - measurement date	<u>\$ 857,850</u>	<u>843,990</u>	<u>13,860</u>

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, 2024 measurement date would change as follows:

	1% Decrease (3.53%)	Current discount rate (4.53%)	1% Increase (5.53%)
Net OPEB liability (asset)	\$ 170,516	13,860	(110,526)

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, 2024 measurement date would change as follows:

	1% Decrease (4.00%)	Current trend rate (5.00%)	1% Increase (6.00%)
Net OPEB liability (asset)	\$ (124,606)	13,860	192,361

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

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

For the year ended June 30, 2024, the Authority recognized OPEB expense of \$84,235. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 19,343	73,038
Net difference between projected and actual earnings on OPEB plan investments	59,272	—
Changes in assumptions	<u>101,815</u>	<u>144,626</u>
Total	<u>\$ 180,430</u>	<u>217,664</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:	
2024	\$ 88,361
2025	78,105
2026	59,784
2027	29,587
2028	<u>2,509</u>
Total	<u>\$ 258,346</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, 2024, the Authority incurred \$89,577 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, 2024.

The Authority has \$1,694,675 commitment remaining associated with its construction in progress on the battery electric bus infrastructure project which is expected to be completed by September 2025.

BROCKTON AREA TRANSIT AUTHORITY

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

Notes to Financial Statements

June 30, 2024

(12) 810 CMR 53.03(2) Disclosure

The Administrator, date of hire of May 1, 2019, compensation for fiscal year 2024 was \$152,257 plus \$3,600 auto allowance. The Administrator receives a family health insurance plan and contributes 25% of the cost of the premium.

The Chief Financial Officer (CFO), date of hire of February 15, 1999, compensation for fiscal year 2024 was \$128,046. 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, 2024 through September 24, 2024, 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 Year

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.74747%	1.05699%	0.30122%	0.27538%	0.27331%	0.27000%	0.26718 %	0.21998 %	0.21953 %	0.25170 %
Authority's proportionate share of the net pension liability	\$ 1,096,047	1,297,500	39,395	797,927	766,412	794,622	644,451	528,549	523,440	459,550
Authority's covered payroll	\$ 594,656	612,730	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	184.3%	211.8%	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	84%	86%	98%	62%	61%	57%	63%	61%	60%	67%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's contractually required contribution	\$ 125,220	103,157	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	<u>125,220</u>	<u>103,157</u>	<u>96,941</u>	<u>83,609</u>	<u>76,834</u>	<u>70,280</u>	<u>66,833</u>	<u>44,159</u>	<u>42,348</u>	<u>48,553</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Authority's covered payroll	\$ 594,656	612,730	580,410	551,947	594,903	656,845	521,461	495,684	495,684	361,871
Contributions as a percentage of covered payroll	21%	17%	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)

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation - MassDOT)
Required Supplementary Information (unaudited)
Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability								
Service cost	\$ 38,878	42,699	35,268	33,851	26,596	29,680	30,770	31,987
Interest	36,333	33,700	32,525	32,321	30,891	26,746	24,700	24,870
Differences between actual and expected experience	(83,327)	(1,679)	31,400	(18,057)	16,443	112,218	—	(52,155)
Changes in assumptions	(180,782)	48,903	47,924	139,463	32,579	(48,077)	—	—
Benefit payments	(30,497)	(45,249)	(42,522)	(39,487)	(39,948)	(11,101)	(6,732)	(7,866)
Net change in total OPEB liability	<u>(219,395)</u>	<u>78,374</u>	<u>104,595</u>	<u>148,091</u>	<u>66,561</u>	<u>109,466</u>	<u>48,738</u>	<u>(3,164)</u>
Total OPEB liability - beginning	<u>1,077,245</u>	<u>998,871</u>	<u>894,276</u>	<u>746,185</u>	<u>679,624</u>	<u>570,158</u>	<u>521,420</u>	<u>524,584</u>
Total OPEB liability - ending (a)	<u>\$ 857,850</u>	<u>1,077,245</u>	<u>998,871</u>	<u>894,276</u>	<u>746,185</u>	<u>679,624</u>	<u>570,158</u>	<u>521,420</u>
Plan fiduciary net position								
Contributions - Employer	\$ 5,137	90,690	156,318	183,886	13,974	142,304	17,326	—
Net investment income (loss)	22,447	(9,637)	(43,534)	(4,971)	25,121	17,307	(2,529)	(3,821)
Benefit payments	(30,497)	(45,249)	(42,522)	(39,487)	(39,948)	(11,101)	(6,732)	(7,866)
Net change in plan fiduciary net position	<u>(2,913)</u>	<u>35,804</u>	<u>70,262</u>	<u>139,428</u>	<u>(853)</u>	<u>148,510</u>	<u>8,065</u>	<u>(11,687)</u>
Plan fiduciary net position - beginning	<u>846,903</u>	<u>811,099</u>	<u>740,837</u>	<u>601,409</u>	<u>602,262</u>	<u>453,752</u>	<u>445,687</u>	<u>457,374</u>
Plan fiduciary net position - ending (b)	<u>\$ 843,990</u>	<u>846,903</u>	<u>811,099</u>	<u>740,837</u>	<u>601,409</u>	<u>602,262</u>	<u>453,752</u>	<u>445,687</u>
Authority's net OPEB liability - ending (a) - (b)	<u>\$ 13,860</u>	<u>230,342</u>	<u>187,772</u>	<u>153,439</u>	<u>144,776</u>	<u>77,362</u>	<u>116,406</u>	<u>75,733</u>
Plan fiduciary net position as a percentage of the total OPEB liability	98.38%	78.62%	81.20%	82.84%	80.60%	88.62%	79.58%	85.48%
Covered Payroll	\$ 612,133	601,580	629,556	559,813	529,204	641,518	608,457	608,457
Authority's net OPEB liability as a percentage of covered payroll	2.26%	38.29%	29.83%	27.41%	27.36%	12.06%	19.13%	12.45%

Notes to the RSI Schedule

Changes of Assumptions (June 30, 2024): Discount rate was increased to 4.53% from 3.30%

Changes of Assumptions (June 30, 2023): Discount rate was reduced to 3.30% from 3.31%

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 39,445	50,705	41,801	37,297	34,873	34,225	35,219	36,436
Contributions in relation to the actuarially determined contribution	5,137	90,690	156,318	183,886	13,974	142,304	17,326	—
Contribution deficiency (excess)	<u>\$ 34,308</u>	<u>(39,985)</u>	<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	\$ 612,133	601,580	629,556	559,813	529,204	641,518	608,457	608,457
Contributions as a percentage of covered payroll	1%	15%	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*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	2.65%	-1.17%	-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, 2024

		<u>Total urbanized area service</u>
Operating costs:		
Operating and administrative costs (excluding depreciation)	\$	1,400,100
Purchased services:		
Fixed route		14,108,674
Demand response		4,019,243
Debt service – interest expense		251,274
Total operating costs		<u>19,779,291</u>
Federal operating assistance and other assistance:		
Federal Transportation Administration operating and administrative		2,133,842
Other		260,809
Total federal operating assistance and other assistance		<u>2,394,651</u>
Revenues:		
Operating:		
Farebox revenue		893,954
Service and other third-party reimbursements		898,271
Other revenue:		
Advertising		100,131
Facility and parking income		59,186
Interest income		152,742
Miscellaneous		2,790
Total revenues		<u>2,107,074</u>
Net operating deficit		15,277,566
Adjustment:		
Extraordinary expenses reserve		16,917
Stabilization fund		42,500
Capital Transit Grant Program vehicle options and miscellaneous		13,920
Net cost of service		<u>15,350,903</u>
Net cost of service funding:		
Local assessments		3,473,910
State contract assistance		11,330,390
Other state assistance		546,603
Subtotal state contract assistance to be funded		<u>—</u>
Balance requested from the State on June 30, 2024	\$	<u><u>—</u></u>

See accompanying independent auditors' report.

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

Supplemental Schedule of Net Cost of Service – Calculation Worksheet

Year ended June 30, 2024

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	\$ 17,644,078
	Allowable percentage increase	<u>2.5 %</u>
	Prior year net operating expense times 2.5%	<u>441,102</u>
	Current year allowable net operating expense	<u>\$ 18,085,180</u>
B.	Extraordinary expenses	\$ 16,917
	Prior year local assessment	<u>3,473,910</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	\$ 694,743
	Prior year local assessment	<u>3,473,910</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	2.03%
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	\$ 603,932

See accompanying independent auditors' report.



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