

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2018

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the Greater Attleboro-Taunton Regional Transit Authority
Taunton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Greater Attleboro-Taunton Regional Transit Authority ("the Authority") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Greater Attleboro-Taunton Regional Transit Authority, as of June 30, 2018, 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.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and certain pension and post-employment benefit information on pages 23 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of local (cities and towns) funding and the statement of net cost of service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of local (cities and towns) funding and the statement of net cost of service have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hague, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts
October 22, 2018

Greater Attleboro-Taunton Regional Transit Authority
Management's Discussion and Analysis
June 30, 2018

Introduction

As Management of the Greater Attleboro-Taunton Regional Transit Authority (the Authority) we present this Management's Discussion and Analysis (MD&A) to provide financial statement readers with an introduction and overview to the Authority's financial activities during the fiscal year ended June 30, 2018. The components of the Authority's Financial Statements as defined by GASB Statement 34 are as follow:

I. Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) is required supplementary information that precedes the financial statements and is unaudited. In this section, management aims to provide an analysis of the overall financial position of the Authority and results of the fiscal year operations, assess whether financial position improved or deteriorated during the year, consider economic factors that may affect operating results, and consider events or conditions that may affect the Authority's future financial position or operations.

II. Proprietary Fund Financial Statements

The Greater Attleboro-Taunton Regional Transit Authority's financial statements are presented as follows:

1. Statement of Net Position – Distinguishes between current and noncurrent assets and liabilities of the Authority. The difference between assets and liabilities is presented as net position. Increases or decreases to net position may serve as a useful indicator of whether the Authority's financial position is improving or deteriorating over time. Net position is divided into three categories (net investment in capital assets, restricted, and unrestricted).
2. Statement of Revenues, Expenses, and Changes in Net Position – Presents. revenues and expenses in three categories (operating, non-operating, and capital). This statement provides information on the costs of providing the services requested of us, how the Authority finances the services (i.e user fees, federal and state grants, local assessments, other revenues), and if current year revenues were sufficient to pay for current year expenses.
3. Statement of Cash Flows – Reports cash flows in four categories (operating, capital and related financing, noncapital financing, and investing). This statement provides useful information on the cash receipts/uses of the Authority during the

fiscal year and helps users to analyze the Authority’s ability to generate future cash flows and meet future obligations.

4. Notes to Financial Statements – Communicates additional objective information to financial statement readers, including the Authority’s accounting policies and explanations or data not shown on the face of the statements.

III. Required Supplementary Information

In addition to the Management’s Discussion and Analysis, the following information is required material that is unaudited: Schedule of Proportionate Share of Net Pension Liability, Schedule of Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios.

Financial Information

Table 1: Condensed and Comparative Statement of Net Position

	Proprietary Activities 2018	Proprietary Activities 2017
Current Assets	\$ 17,045,399	\$ 19,003,536
Noncurrent Other Assets	\$ 4,239,997	\$ 4,136,582
Capital Assets	\$ 26,013,391	\$ 26,525,627
Total Assets.....	\$ 47,298,787	\$ 49,665,745
Deferred Outflows of Resources	\$ 360,476	\$ 120,546
Current Liabilities	\$ 17,370,690	\$ 19,750,729
Noncurrent Liabilities	\$ 5,434,884	\$ 2,532,356
Total Liabilities.....	\$ 22,805,574	\$ 22,283,085
Deferred Inflows of Resources.....	\$ 664,968	\$ 147,456
Net Position:		
Net Invested in Capital Assets	\$ 26,013,391	\$ 26,525,627
Restricted.....	\$ 1,486,595	\$ 1,359,305
Unrestricted (deficit)	\$ (3,311,265)	\$ (529,182)
Total Net Position	\$ 24,188,721	\$ 27,355,750

Table 2. Condensed and Comparative Statement of Revenues, Expenses, and Changes in Net Position

	Proprietary Activities 2018	Proprietary Activities 2017
Operating Revenues:		
Charges for Services	\$43,588,958	\$41,159,603
Total Operating Revenues.....	<u>\$43,588,958</u>	<u>\$41,159,603</u>
Operating Expenses:		
Services	\$51,257,180	\$48,749,879
Maintenance	2,531,208	2,112,921
General & Admin	3,765,638	3,607,556
Depreciation	3,929,051	3,877,756
Total Operating Expenses.....	<u>61,483,077</u>	<u>58,348,112</u>
Operations Income (Loss).....	<u>(17,894,119)</u>	<u>(17,188,509)</u>
Non-Operating Revenues (Expenses)		
Federal Assistance.....	5,376,342	4,963,575
State Assistance.....	4,461,068	4,290,823
Local Assessments	4,239,997	4,136,582
Other	123,629	92,688
Interest Expense	(97,153)	(49,591)
Total Non-Operating Revenues (Expenses).....	<u>14,103,883</u>	<u>13,434,077</u>
Capital Contributions	<u>3,517,048</u>	<u>4,139,343</u>
Change in Net Position.....	<u>(273,188)</u>	<u>384,910</u>
Ending Net Position	<u>\$ 24,188,721</u>	<u>\$27,355,750</u>

Financial Analysis

As of the close of the current fiscal year, the Authority’s proprietary fund reported ending net position of \$24,188,721. The net position deteriorated during this fiscal year due to expenses exceeding revenues and capital contributions by \$273,188 and as a result of a \$2,893,555 prior period adjustment due to the adoption of GASB Statement #75 – *Accounting and Reporting for Postemployment Benefits Other than Pension Plan* during FY 2018.

Total current assets decreased in 2018 by approximately \$1,958,137 (10.3%). This was primarily caused by a decrease in due from other governments of \$1,306,065 and a decrease in prepaid expenses of \$642,121.

Total current liabilities decreased in 2018 by approximately \$2,380,039 (12.1%). This was primarily caused by a decrease in accounts payable of \$1,816,310 and a decrease in notes payable of \$574,059.

Total noncurrent liabilities increased in 2018 by approximately \$2,902,528 (115%). This was primarily caused by an increase in OPEB liability of \$2,770,196 due to the adoption of GASB 75.

GATRA recognized a substantial increase in capital assets in FY 2018. This resulted from purchases of facilities (939,389), buses and vans (1,850,337), equipment (333,248), and intangibles and other (301,178). FY 2018 Capital Assets increased \$3,424,152.

At the end of the current fiscal year, Greater Attleboro-Taunton Regional Transit Authority had no long-term bonded debt outstanding. The Authority regularly borrows on a short-term basis in anticipation of state and federal grant revenues to supplement its cash flow during the year.

Economic Factors

The unemployment rate for the Taunton-Norton-Raynham Labor Market as of June 30, 2018 was 4.2%, which increased 0.2% from 4.0% a year ago. This compares similarly to the statewide unemployment rate of 3.5%. The inflationary trend in the region (3.4% annual – BLS CPI Boston-Cambridge-Newton region for all items) is slightly higher than the national inflation rate (2.9% - BLS CPI Urban areas - all items) for the last year. Note however, GATRA procurements are driven by national factors as much as regional. All of these factors were considered in preparing the Greater Attleboro-Taunton Regional Transit Authority's budget for the 2019 fiscal year and GATRA has presented the planned level of expense to the Greater Attleboro-Taunton Regional Transit Authority Board of Directors and to the State of Massachusetts Department of Transportation.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30,

	2018
ASSETS	
Current assets:	
Cash	\$ 704,661
Receivables (net)	65,721
Due from other governments (net)	12,348,171
Unbilled - Due from other governments	3,628,506
Inventories	298,340
Total current assets	17,045,399
Noncurrent assets:	
Due from other governments (net)	4,239,997
Capital assets	65,319,529
Less accumulated depreciation	(39,306,138)
Total noncurrent assets	30,253,388
TOTAL ASSETS	47,298,787
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	360,476
TOTAL DEFERRED OUTFLOWS OF RESOURCES	360,476
LIABILITIES	
Current liabilities:	
Accounts payable	9,492,709
Accrued payroll	29,213
Accrued other	127,397
Notes payable	7,500,000
Other current liability	221,371
Total current liabilities	17,370,690
Noncurrent liabilities:	
OPEB liability	4,360,558
Net pension liability	656,811
Accrued compensated absences	417,515
Total noncurrent liabilities	5,434,884
TOTAL LIABILITIES	22,805,574
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	494,145
Deferred inflows related to pensions	170,823
TOTAL DEFERRED INFLOWS OF RESOURCES	664,968
NET POSITION	
Net investment in capital assets	26,013,391
Restricted	1,486,595
Unrestricted	(3,311,265)
TOTAL NET POSITION	\$ 24,188,721

See accompanying notes to financial statements.

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30,**

	2018
OPERATING REVENUES	
Charges for services	\$ 43,588,958
Total operating revenues	43,588,958
OPERATING EXPENSES	
Services	51,257,180
Maintenance	2,531,208
General & Admin	3,765,638
Depreciation	3,929,051
Total operating expenses	61,483,077
OPERATING INCOME (LOSS)	(17,894,119)
NON-OPERATING REVENUES (EXPENSES)	
Operating assistance	
Federal Grants - Operating	5,328,989
Federal Grants - Other	47,353
State Contract Assistance - Appropriated	3,957,798
State Contract Assistance - Addition per Ch161B	282,199
State Contract - Other	221,071
Local Assessments	4,239,997
Other	119,492
Interest Income	4,137
Interest Expense	(97,153)
Total non-operating revenues (expenses)	14,103,883
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(3,790,236)
CAPITAL CONTRIBUTIONS	
Federal	2,158,658
State	1,354,000
Other	4,390
Total capital contributions	3,517,048
CHANGE IN NET POSITION	(273,188)
NET POSITION - JULY 1 - ORIGINAL	27,355,464
PRIOR PERIOD ADJUSTMENT	(2,893,555)
NET POSITION - JULY 1 - REVISED	24,461,909
NET POSITION - JUNE 30	\$ 24,188,721

See accompanying notes to financial statements.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30,

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 43,471,471
Payments to vendors and suppliers	(56,087,384)
Payments to employees	(878,783)
Payments of fringe	(158,244)
Net cash provided (used) by operating activities	(13,652,940)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from notes	7,500,000
Repayment of notes	(8,074,059)
Operating assistance grants	13,985,729
Interest expense	(97,153)
Other	277,582
Net cash provided (used) by noncapital financing activities	13,592,099
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(5,019,316)
Capital contributions	
United States Department of Transportation	2,864,838
Commonwealth of Massachusetts	2,071,301
Other	4,390
Proceeds from sale of capital assets	6,098
Net cash provided (used) by capital and related financing activities	(72,689)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	4,137
Rental income	79,770
Net cash provided (used) by investing activities	83,907
NET INCREASE (DECREASE) IN CASH	(49,623)
CASH AND CASH EQUIVALENTS - JULY 1	754,284
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 704,661

See accompanying notes to financial statements.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30,

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	<u>2018</u>
Operating income (loss)	\$ (17,894,119)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	3,929,051
Changes in assets and liabilities:	
Receivables (net)	(117,487)
Inventories	(31,269)
Other current assets	642,121
Accounts payable	(150,727)
Accrued payroll	(1,952)
Accrued other	-
Other current liability	12,279
OPEB liability	(173,169)
Net pension liability	99,750
Accrued compensated absences	32,582
Net Cash Provided (Used) in Operating Activities	<u><u>\$ (13,652,940)</u></u>

See accompanying notes to financial statements.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. The Authority and Operators

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

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

2. Summary of Significant Accounting Policies (continued):

b) Inventories – Inventories of fuel are stated at the lower of cost or market on a first-in, first-out basis (FIFO). Inventories of parts are stated at the lower of cost or market on an average cost basis.

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

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

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

The restricted net position is all expendable.

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

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

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

h) Pensions – For purposes of measuring the Authority’s net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Taunton Contributory Retirement System (the System) and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

3. Cash

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

Custodial credit risk exists for cash deposits when, in the event of the failure of a depository financial institution, the Authority's deposits will not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but invests its funds in deposits that are fully FDIC insured or collateralized with securities held by the pledging financial institution's trust department in the financial institution's name. At June 30, 2018, the Authority does not have any uninsured or uncollateralized bank deposits.

	2018
Balance per banks	\$ 935,488
Deposits covered by:	
Federal Depository Insurance Corporation	(409,545)
Depositors Insurance Fund	(525,943)
Collateralized with pledged securities	-
Total uninsured and uncollateralized deposits	\$ -

4. Allowance for Uncollectible Accounts

As of June 30, 2018 the allowance for uncollectible accounts was estimated at \$0.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Capital assets (non-depreciable):				
Land	\$ 906,880	\$ -	\$ -	\$ 906,880
Total capital assets (non-depreciable):	906,880	-	-	906,880
Other capital assets				
Facilities	27,600,930	939,389	-	28,540,319
Buses & Vans	21,659,232	1,850,337	(792,850)	22,716,719
Equipment	5,127,821	333,248	-	5,461,069
Intangible & Other	7,393,361	301,178	-	7,694,539
Total other capital assets at historical cost	61,781,344	3,424,152	(792,850)	64,412,646
Less accumulated depreciation for:				
Facilities	(13,277,939)	(1,183,688)	-	(14,461,627)
Buses & Vans	(13,042,222)	(1,953,806)	785,513	(14,210,515)
Equipment	(3,957,775)	(313,416)	-	(4,271,191)
Intangible & Other	(5,752,539)	(471,857)	-	(6,224,396)
Land Improvements	(132,122)	(6,284)	-	(138,406)
Total accumulated depreciation	(36,162,597)	(3,929,051)	785,513	(39,306,135)
Other capital assets, net	25,618,747	(504,899)	(7,337)	25,106,511
Capital assets, net	\$26,525,627	\$ (504,899)	\$ (7,337)	\$ 26,013,391

Depreciation expense for 2018 was \$3,929,051.

6. Short – Term Debt

The following is a summary of outstanding short-term debt at June 30,:

	2018
\$7,500,000 Revenue Anticipation Note (RAN) - stated interest rate of 2.0% (.8% effective interest rate after applying premium) due in August, 2018 and fully guaranteed by the Commonwealth of Massachusetts.	\$ 7,500,000
	\$ 7,500,000

The following is a summary of changes in short-term debt:

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
2016 RAN	\$ 7,500,000	\$ -	\$ (7,500,000)	\$ -
2017 RAN	-	7,500,000	-	7,500,000
Insurance Note	574,059	-	(574,059)	-
	\$ 8,074,059	\$ 7,500,000	\$ (8,074,059)	\$ 7,500,000

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. Restricted Net Position

Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. During the current year, the Authority contributed \$58,697 to the reserve. The balance in the reserve account at June 30, 2018 is \$524,645.

Restricted for Attleboro Station Improvements

The Authority leases commuter rail stations from the Massachusetts Bay Transportation Authority (MBTA). The lease allows the Authority to operate the MBTA's Attleboro Station paid parking facility. The excess of the revenues over expenses is shared with the MBTA. However, the Authority's share of income is restricted as to use as it must be used for capital improvements to the Attleboro Station. At the end of the lease term, any remaining excess revenues not used for improvements will be returned to the MBTA. The balance restricted for Attleboro Station improvements at June 30, 2018 is \$961,950.

8. Retirement Plans

Pension Plan

General Information about the Pension Plan

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

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

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Retirement Plans (continued):

Contributions – Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan 5% to 11% of their covered compensation, depending on plan entry date and the level of compensation. The Authority’s contractually required contribution rate for the year ended June 30, 2018, was 9.3% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$136,825 for the year ended June 30, 2018.

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

At June 30, 2018, the Authority reported a liability of \$656,811 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Authority’s proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Authority’s proportion of net pension liability was approximately 0.86 percent.

Changes in assumptions and difference between actual and expected experience are a result of an updated experience study performed for the January 1, 2018 actuarial valuation. The changes in assumptions and experience will be amortized over the average expected remaining service life of plan members.

For the year ended June 30, 2018, the Authority recognized pension expense of \$69,823 and reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between Expected and Actual Experience	\$ 37,884
Changes of Assumptions	93,846
Changes in proportion and difference between employer contributions and proportionate share of contributions	160,333
Subsequent contributions after measurement	68,413
	<u>\$ 360,476</u>

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Retirement Plans (continued):

	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ (48,728)
Changes of Assumptions	(86,068)
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	(36,027)
	\$ (170,823)

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

Year	
2019	\$ 17,945
2020	\$ 9,198
2021	\$ 25,481
2022	\$ 29,104
2023	\$ 39,511

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

Actuarial cost method:	Individual entry age normal cost method
Amortization method:	Payments increase at 3%
Asset valuation method:	Assets held by the fund are valued at market values as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value of assets is determined using a five-year smoothing of asset returns greater than or less than the assumed rate of return.
Remaining amortization period:	5 years
Inflation:	3%
Salary increases:	3.5% average
Investment rate of return:	7.75%, net pension plan investment expense, including inflation
Cost of living adjustment:	3% up to a maximum of \$15,000
Rates of retirement:	Varies based on age
Mortality rates:	
Pre-retirement and post-retirement	The RP-2014 Blue Collar Mortality Table for males and females with Scale MP-2014.
Disabled Retiree	The RP-2000 Mortality Table set forward six years for all disabled members.

The actuarial mortality assumptions used in the January 1, 2018 valuation were based on the results of actuarial experience study for the period of January 1, 2014 to January 1, 2016.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Retirement Plans (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap	25%	6.4%
Mid Cap	10%	8.9%
Small Cap	10%	7.0%
International equities	15%	3.0%
Alternative assets	5%	6.5%
Assets	15%	7.8%
Fixed income	20%	1.6%
Total	100%	

Discount rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Authority’s proportionate share of the net pension liability	\$1,023,187	\$656,811	\$344,575

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report. The Plan’s fiduciary net position uses the same basis as the plan. The Plan uses the accrual basis of accounting, and benefits and refunds are recognized when due and payable. Plan investments are measured at fair value.

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Retirement Plans (continued):

Post Employment Healthcare Benefits Plan

Plan Description – In addition to pension benefits, the Authority provides postemployment health care benefits for eligible employees who have attained age 55 and render at least 10 or more years of service or at any age with 20 years of service, until the employee is eligible for Medicare. For those hired after April 1, 2012, benefits are received after attaining age 60 with 10 or more years of service. The benefits, benefit level, employee contributions and employer contributions are governed by the Authority. As of July 1, 2017, the actuarial valuation date, approximately 31 active employees and 4 retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

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

Dental coverage under the group health insurance plan for regular full-time employees will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period. Once the retired employee is entitled to Medicare, health care coverage for the employee’s spouse will continue, provided that the enrollment costs as established annually by the Plan administrator are paid.

Contributions – For medical coverage, the retired employee must pay 10% of the enrollment cost (the “working rate”) as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs.

For dental coverage, the retired employee must pay 10% of the enrollment cost (the “working rate”) as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs.

Total OPEB Liability – The Authority’s total OPEB liability of \$4,360,558 was measured, as of July 1, 2017, based on an actuarial valuation that was performed on July 1, 2017.

Changes in the Total OPEB Liability – Changes of assumptions and other inputs reflect a difference in actual and expected experience of the plan.

	2018
Total OPEB liability	
Service costs	\$ 290,313
Interest	156,087
Changes of benefit terms	-
Changes of assumptions or other inputs	(576,503)
Benefit payments	<u>(43,066)</u>
Net change in total OPEB liability	(173,169)
Total OPEB liability - beginning	<u>4,533,727</u>
Total OPEB liability - ending	<u><u>\$ 4,360,558</u></u>

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Retirement Plans (continued):

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Authority recognized an OPEB expense of \$364,042. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPB from the following sources:

	Deferred Outflows of Resources
Difference between actual vs. expected experience	\$ -
Changes of assumptions	-
Net difference between projected and actual earnings on OPEB investments	-
	\$ -

	Deferred Inflows of Resources
Difference between actual vs. expected experience	\$ 494,145
Changes of assumptions	-
Net difference between projected and actual earnings on OPEB investments	-
	\$ 494,145

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

Year	Outflow/(Inflow)
2019	\$ (82,358)
2020	\$ (82,358)
2021	\$ (82,358)
2022	\$ (82,358)
2023	\$ (82,358)
Thereafter	\$ (82,355)

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age normal cost method
Amortization method	30 year level flat dollar
Inflation	2.75%
Salary increases	3.00%
Discount rate	3.25%, based on 20 year municipal bond index
Healthcare cost trend rates	5.00%
Retirees' share of benefit-related costs	10%

GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Retirement Plans (continued):

Mortality	
Pre-Retirement	RP-2000 Employees Mortality Table projected generationally with scale BB using a base year of 2009 for males and females
Post-Retirement and Disabled	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB using a base year of 2009 for males and females

The July 1, 2017 actuarial mortality assumptions were based on the results of a 2014 actuarial experience study for the period 2006-2011 updated to reflect data through January 1, 2015.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease (2.25%)	Discount Rate (3.25%)	1% Increase (4.25%)
Total OPEB liability	\$5,285,599	\$4,360,558	\$3,633,118

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$3,459,444	\$4,360,558	\$5,540,514

9. Commitments and Contingencies

- a) Purchase commitments – Construction in progress at June 30, 2018 consisted of expenditures by the Authority for various construction projects, which management expects will be completed in fiscal year 2019. At June 30, 2018, remaining construction commitments for these projects was approximately \$0.
- b) Litigation – In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse effect on the Authority’s financial position.
- c) Risk management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers compensation claims for which the Authority carries commercial insurance. Settlements have not exceeded coverages for each of the past three fiscal years.

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

9. Commitments and Contingencies (continued)

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

10. Prior Period Adjustment

In this fiscal year, the Authority was required to adopt GASB Statement #75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans. This adoption resulted in a prior period adjustment of \$2,893,555.

11. Subsequent Events

a) Subsequent to June 30, 2018, the Authority issued \$7,800,000 in revenue anticipation notes that had an interest rate of 2.50%. These RANs will mature in August, 2019 and are guaranteed by the Commonwealth of Massachusetts.

b) Adoption of New Accounting Pronouncements –

The GASB has issued the following statements, which will require adoption subsequent to June 30, 2018 and are applicable to the Authority. The Authority has not yet adopted these statements, and the implication on the Authority's fiscal practices and financial reports is being evaluated.

Statement No.		Effective Date (FY) Begins after
83	<i>Certain Asset Retirement Obligations</i>	06/15/2018
84	<i>Fiduciary Activities</i>	12/15/2018
87	<i>Leases</i>	12/15/2019
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	06/15/2018
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	12/15/2019
90	<i>Majority Equity Interests</i>	12/15/2018

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.862%	0.065%	0.065%	0.064%	0.0%*
Proportionate share of net pension liability	\$ 656,811	\$ 557,061	\$ 575,583	\$ 694,118	*
Covered-employee payroll	\$ 1,466,129	\$ 1,418,447	\$ 1,449,379	\$ 1,247,249	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	44.8%	39.3%	39.7%	55.7%	0.0%*
Plan fiduciary net position as a percentage of the total pension liability	80.86%	76.76%	75.22%	65.47%	0.0%*

	2013	2012	2011	2010	2009
Proportion of the net pension liability	0.0%*	0.0%*	0.0%*	0.0%*	0.0%*
Proportionate share of net pension liability	*	*	*	*	*
Covered-employee payroll	*	*	*	*	*
Proportionate share of the net pension liability as a percentage of covered-employee payroll	0.0%*	0.0%*	0.0%*	0.0%*	0.0%*
Plan fiduciary net position as a percentage of the total pension liability	0.0%*	0.0%*	0.0%*	0.0%*	0.0%*

* - Information not available.

See accompanying Independent Auditors' Report.

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 136,825	\$ 99,621	\$ 96,910	\$ 94,741	*
Contributions in relation to the actuarially determined contribution	<u>(136,825)</u>	<u>(99,621)</u>	<u>(96,910)</u>	<u>(94,741)</u>	*
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	*
Covered-employee payroll	\$ 1,466,129	\$ 1,418,447	\$ 1,449,379	\$ 1,247,249	*
Contributions as a percentage of covered-employee payroll	9.3%	7.0%	6.7%	7.6%	0.0%*

	2013	2012	2011	2010	2009
Actuarially determined contribution	*	*	*	*	*
Contributions in relation to the actuarially determined contribution	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency (excess)	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Covered-employee payroll	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.0%*	0.0%*	0.0%*	0.0%*	0.0%*

* - Information not available.

See accompanying Independent Auditors' Report.

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS**

	2018	2017	2016	2015	2014
Total OPEB liability					
Service costs	\$ 290,313	*	*	*	*
Interest	156,087	*	*	*	*
Changes of benefit terms	-	*	*	*	*
Changes of assumptions or other inputs	(576,503)	*	*	*	*
Benefit payments	(43,066)	*	*	*	*
Net change in total OPEB liability	(173,169)	*	*	*	*
Total OPEB liability - beginning	4,533,727	*	*	*	*
Total OPEB liability - ending	\$ 4,360,558	*	*	*	*
Covered-employee payroll	\$ 1,533,919	\$ -	\$ -	\$ -	*
Total OPEB liability as a percentage of covered-employee payroll	284.3%	0.0%*	0.0%*	0.0%*	0.0%*

	2013	2012	2011	2010	2009
Total OPEB liability					
Service costs	*	*	*	*	*
Interest	*	*	*	*	*
Changes of benefit terms	*	*	*	*	*
Differences of assumptions or other inputs	*	*	*	*	*
Benefit payments	*	*	*	*	*
Net change in total OPEB liability	*	*	*	*	*
Total OPEB liability - beginning	*	*	*	*	*
Total OPEB liability - ending	*	*	*	*	*
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	*
Total OPEB liability as a percentage of covered-employee payroll	0.0%*	0.0%*	0.0%*	0.0%*	0.0%*

Significant change:

The significant change of assumptions and other inputs was caused by the difference between expected and actual experience of the Plan.

* - Information not available.

See accompanying Independent Auditors' Report.

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
SCHEDULE OF LOCAL (CITIES AND TOWNS) FUNDING
YEAR ENDED JUNE 30, 2018**

<u>Community</u>	<u>Share</u>
Attleboro	\$ 428,827
Bellingham	155,127
Berkley	37,324
Carver	59,767
Dighton	14,890
Duxbury	122,174
Kingston	95,627
Foxboro	131,352
Franklin	250,363
Hanover	93,139
Lakeville	57,392
Mansfield	175,756
Marshfield	199,268
Medway	93,613
Middleborough	174,368
Norfolk	120,957
North Attleboro	219,958
Norton	108,033
Pembroke	149,375
Plainville	28,325
Plymouth	422,185
Raynham	103,093
Rehoboth	20,104
Scituate	128,795
Seekonk	108,244
Taunton	437,557
Wareham	214,846
Wrentham	89,537
	<u>\$ 4,239,997</u>

See accompanying Independent Auditors' Report.

**GREATER ATTLEBORO-TAUNTON REGIONAL TRANSIT AUTHORITY
NET COST OF SERVICE
YEAR ENDED JUNE 30, 2018**

M.G.L. Chapter 161B Section 1 and Section 9 Net Cost of Service

INCOME

Charges for services	\$ 43,588,958
Federal Grants	5,376,342
State Contracts	221,071
Other	123,629
	<u>49,310,000</u>

EXPENSES

Operating Expenses	61,483,077
Interest Expense	97,153
	<u>61,580,230</u>

(Expenses) over Income (12,270,230)

Payment into reserve account - M.G. L. Chapter 161B Section 6(q) (58,697)

Net Cost Of Service (NCS) \$ (12,328,927)