

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a component Unit of the Massachusetts Department of Transportation)

Basic Financial Statements, Supplementary Data
For the Year Ended June 30, 2015

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

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NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

The Reporting Entity

The management of the Nantucket Regional Transit Authority (the Authority) has generated this narrative overview and analysis to assist our readers in understanding the Authority's basic financial statements. The Authority was established as a political subdivision of the Commonwealth of Massachusetts (the Commonwealth) on April 15, 1986, by the town of Nantucket. This was done pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service on the island of Nantucket.

Overview of the Financial Statements

This overview and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. In addition to the basic financial statements, this report includes notes to the financial statements, required supplementary information pertaining to the pension and other postemployment benefit plans and certain schedules required by Commonwealth agencies.

The statement of net position reports assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and reports the difference between the two as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position consists of three sections: invested in capital assets, restricted, and unrestricted. The invested in capital assets component of the net position consists of capital assets, net of related debt. Further, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the invested in capital component, if applicable. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. All other net position is unrestricted.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses, nonoperating revenues and expenses, and capital contributions for the year. The net of these income and expense accounts results in the increase or decrease in net position. That change combined with the net position at the end of the previous year reconciles to the net position at the end of the current year.

The statement of cash flows reports cash and cash equivalents activities for the year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net results of these activities added to the beginning of the year cash and cash equivalents balance reconciles the cash and cash equivalents balance at the end of the year.

NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

Condensed Financial Information

Statement of Net Position
(000 omitted)

	2015	2014
Current assets	\$ 1,382	\$ 1,913
Capital assets, net	2,682	2,586
Restricted and other noncurrent assets	792	383
Total assets	4,856	4,882
Restricted and noncurrent liabilities	988	1,049
Current liabilities	217	280
Total liabilities	1,205	1,329
Net position		
Invested in capital assets	2,682	2,586
Restricted	165	257
Unrestricted	804	710
Total net position	\$ 3,651	\$ 3,553

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

	2015	2014
Operating revenues		
Transportation services	\$ 411	\$ 407
Operating expenses		
Cost of services, maintenance and administration	1,916	1,785
Depreciation	480	466
	2,396	2,251
Operating loss	(1,985)	(1,844)
Nonoperating revenues and (expenses)		
Operating assistance	1,507	2,348
	1,507	2,348
Income (loss) before capital contribution	(478)	504
Capital contributions	576	177
	576	177
Increase in net position	98	681
Net position		
Beginning of year		
As previously reported	3,553	3,195
Cumulative effect - change in accounting principle		(323)
As restated	3,553	2,872
End of year	\$ 3,651	\$ 3,553

NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2015 and 2014

The assets of the Authority exceeded its liabilities at June 30, 2015 by approximately \$3,651,000.

The Authority's net position decreased by approximately \$225,000 (5.8%) during the current year. The net decrease in net position was the result of an increase of approximately \$98,000 in normal income and expenses, less the cumulative effect of a change in accounting principle, related to the implementation of GASB 68 for the net pension liability, of approximately \$323,000.

The Authority's total assets decreased in 2015 versus 2014 by \$26,000 (.5%).

Total current assets decreased by approximately \$531,000 (27.7%). This was caused primarily by decreases in cash of \$459,000 and receivables of \$69,000. The decreases were the result of not issuing a new revenue anticipation note during the year.

Total net capital assets increased approximately \$96,000 (3.7%). This was caused capital acquisitions of \$576,000 net of depreciation of \$480,000.

Total debt increased by approximately \$199,000 (19.8%). This was caused by increases in liabilities payable from restricted assets of \$515,000 and net pension liability of \$323,000 less decreases in revenue anticipation notes of \$600,000 and other changes of \$39,000.

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FOR THE YEAR ENDED JUNE 30, 2015

Revenues

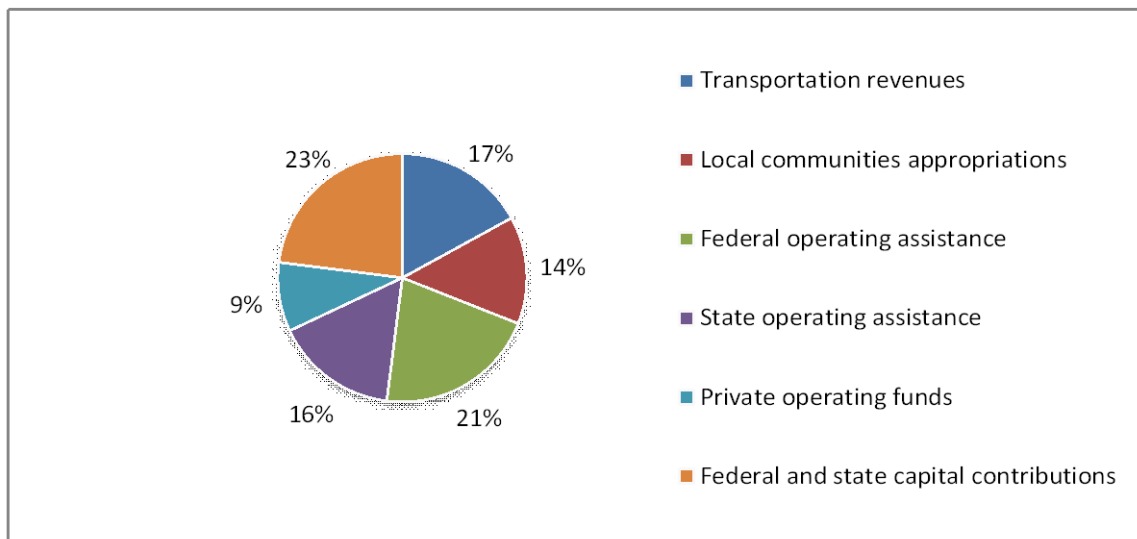
Total operating revenue increased by \$4,000 (1%). In order to ensure that future cost of service was adequately funded, the Authority approved a \$10 increase in the cost of season passes.

Total operating assistance grants decreased in 2015 versus 2014 by approximately \$841,000 (35.8%). This was caused by the fact that the state contract assistance was higher in 2014, due to a forward funding initiative.

Total capital contributions increased in 2015 versus 2014 by approximately \$399,000 (225%). This was caused primarily by increases in Federal and State capital grant funding.

The increase in net position decreased in 2015 versus 2014 by approximately \$583,000 (85.6%). This was caused primarily by a decrease in operating assistance due to a forward funding initiative.

Revenues by source:



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FOR THE YEAR ENDED JUNE 30, 2015

Operating Expenses

Total operating expenses increased in 2015 versus 2014 by approximately \$145,000 (6.4%). This was caused by increases in the cost of services, maintenance and administration, and depreciation expense in the current year.

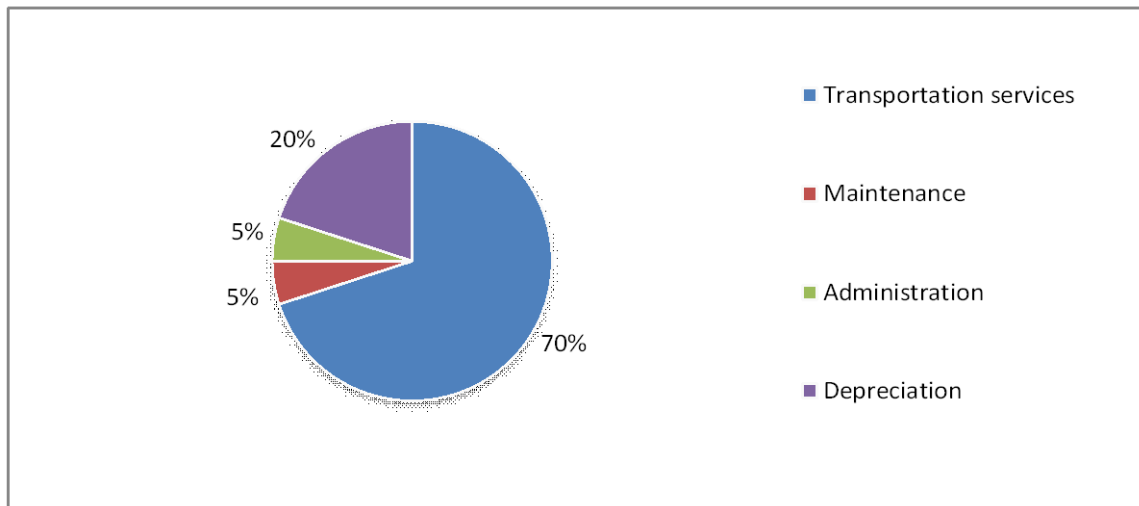
The cost of service increased in 2015 versus 2014 by approximately \$123,000 (7.9%). This was caused primarily by an increase in service provided. Namely, the Ferry Connector Service, Extended Hours Service and other additional fixed route service.

Maintenance expense and administrative expense increased in 2015 versus 2014 by approximately \$8,000 (3.3%).

Depreciation expense increased in 2015 versus 2014 by approximately \$14,000 (3.0%). This was primarily attributable to the addition of a full years' depreciation on 2014 acquisitions and half years' depreciation on 2015 acquisitions.

The cumulative effect of a change in an accounting principle of approximately \$323,000 was recorded in 2015. This was done to implement GASB No. 68. It was related to recording the net pension liability.

Expenses by source:



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Capital Assets

The Authority's capital assets as of June 30, 2015, amounted to approximately \$2,682,000, net of accumulated depreciation. The Authority's investment in capital assets includes buildings and structures, vehicles, office and maintenance equipment, and intangible assets. During 2015, the Authority invested approximately \$576,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants.

More detailed information regarding the Authority's capital assets activities for 2015 can be found in the notes to the financial statements (Note 7).

Revenue Anticipation Note

The Authority had a revenue anticipation note of approximately \$600,000 at the end of 2014. This note was retired in 2015 and a new note was not issued.

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily, 53%, from operating assistance from MassDOT and 47% by assessments to the member community.

Demand for the Authority's services is mainly affected by the overall economic activity on Nantucket, both seasonally and year-round. The economic activity is a reflection of the overall construction on the island and other factors, such as weather-related conditions, capacity constraints, and operational limitations, which can also have an impact on the Authority's annual ridership volumes.

In order to ensure that the future cost of service was adequately funded, the Authority approved a \$10 increase in the cost of season passes. This increase was needed to offset expected increases in operating expenses, primarily fuel oil expense, wages, benefits and maintenance expense.

The Authority's operating revenue for the past three years are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Farebox revenue	\$384,000	\$401,000	\$402,000
Other revenue	7,000	6,000	9,000

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Paula Leary, Administrator, Nantucket Regional Transit Authority, 3 E. Chestnut Street, Nantucket, MA 02554.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

The Advisory Board
Nantucket Regional Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Nantucket Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 i through vi and the required supplementary information schedules (Namely, the schedule of the Authority's proportionate share of the net pension liability, the schedule of pension contributions and the schedule of funding progress) 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, included in the accompanying

schedules on pages 26 through 28, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplementary schedules 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 a report dated October 15, 2015 on our consideration of the Authority's internal control over financial reporting and 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.

Bruce D. Norling, CPA, P.C.

October 15, 2015

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	367,492
Receivable for operating assistance		878,478
Other current assets		136,134
Total current assets		1,382,104

Restricted and noncurrent assets

Restricted assets		
Cash and cash equivalents		243,315
Receivable capital assistance		461,988
Total restricted assets		705,303
Receivable for operating assistance		86,657
Capital assets, net		2,682,309
Total noncurrent assets		3,474,269

Total assets		4,856,373
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LIABILITIES

Current liabilities

Accounts payable and accrued expense		72,600
Unearned revenue		144,360
Total current liabilities		216,960

Restricted and noncurrent liabilities

Liabilities payable from restricted assets		
Accounts payable and accrued expense		458,193
Unearned revenue		81,918
Total liabilities payable from restricted assets		540,111
Net pension liability		322,696
Other postemployment benefits		125,489
Total noncurrent liabilities		988,296

Total liabilities		1,205,256
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NET POSITION

Invested in capital assets		2,682,309
Restricted		165,192
Unrestricted		803,616
Total net position	\$	3,651,117

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating revenues		
Transportation services	\$	411,160
Operating expenses		
Transportation service		1,664,624
Maintenance		125,999
General and administration		125,889
		<u>1,916,512</u>
Depreciation expense		480,011
		<u>2,396,523</u>
Operating loss		(1,985,363)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal		531,946
Commonwealth of Massachusetts		394,359
Local		355,195
Private Funding		224,158
Other		1,385
		<u>1,507,043</u>
Income (loss) before capital grants		(478,320)
Capital contributions		
Commonwealth of Massachusetts capital assistance grants		484,154
Federal		88,664
Private funding		3,150
		<u>575,968</u>
Increase in net position		97,648
Net position		
Beginning of year, as reported		3,876,165
Cumulative effect of a change in accounting principle - Implementation of GASB 68		(322,696)
Beginning of year, as restated		<u>3,553,469</u>
End of year	\$	<u>3,651,117</u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities	
Transportation services	\$ 411,160
Payments to vendors and suppliers	(1,747,441)
Payments to employees	(164,307)
Payments of fringe	<u>(59,169)</u>
Net cash used in operations	<u>(1,559,757)</u>
Cash flows from noncapital financing activities	
Proceeds from revenue anticipation notes	
Repayment of revenue anticipation notes	(600,000)
Operating assistance grants	1,345,473
Private funding	243,596
Interest on notes	<u>(2,693)</u>
Net cash provided by noncapital financing activities	<u>986,376</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(31,691)
Capital contributions	
United States Department of Transportation	
Massachusetts Department of Transportation capital appropriations	121,546
Private funding	<u>3,150</u>
Net cash provided by (used in) capital and related financing activities	<u>93,005</u>
Cash flows from investing activities	
Interest income	<u>4,003</u>
Net cash provided by investing activities	<u>4,003</u>
Net (decrease) increase in cash and cash equivalents	(476,373)
Cash and cash equivalents at beginning of year	<u>1,087,180</u>
Cash and cash equivalents at end of year	<u>\$ 610,807</u>
Reconciliation of operating loss to net cash provided by operations	
Operating loss	\$ (1,985,363)
Adjustments to reconcile the operating loss to net cash used in operating activities:	
Depreciation expense	480,011
Changes in assets and liabilities:	
Other assets	3,506
Accounts payable and accrued expense	<u>(57,911)</u>
Net cash used in operations	<u>\$ (1,559,757)</u>
Supplemental disclosures of noncash transactions	
At June 30, 2015, the Authority had capital expenditures that were included in accounts payable	<u>\$ 458,193</u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

1. The Reporting Entity

The Nantucket 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 April 15, 1986, by the Town of Nantucket, the sole member community of the Authority. This was done 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 does not have any stockholders or equity holders.

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

The Authority provides seasonal fixed route bus services to the general public and year round demand response services to the elderly and to individuals with disabilities. The operation of these services is performed by a private sector operator (the Operator). The Operator functions under terms and agreements whereby it provides mass transit along such routes and according to such schedules as may be defined by the Authority.

The Authority also has a brokerage service program, whereby the Authority contracts with various social service agencies to provide public transportation to their clients. The operation of this program is also provided by the Operator.

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 is defined as 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 revenue is passenger fares. 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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

a) Measurement Focus, Basis of Accounting and Financial Reporting Presentation (continued)

The Authority has adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which establishes guidance for applying standards established in Financial Accounting Standards Board (FASB) statements and interpretations to the preparation of financial statements for proprietary fund activities. In accordance with GASB Statement No. 62, the Authority complies with and observes all FASB statements and interpretations that were issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

b) Adoption of New Accounting Pronouncements – In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

This statement requires the net pension liability of the Authority to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

Actuarial valuations of the total pension liability are required to be performed at least every two years, with more frequent valuations encouraged. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation (performed as of a date no more than 30 months and 1 day prior to the employer's most recent year-end). Unless otherwise specified by this Statement, all assumptions underlying the determination of the total pension liability and related measures set forth by this Statement are required to be made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Projections of benefit payments are required to be based on the benefit terms and legal agreements existing at the measurement date and to incorporate the effects of projected salary changes (if the pension formula incorporates future compensation levels), and service credits (if the pension formula incorporates periods of service), as well as projected automatic postemployment benefit changes, including automatic cost-of-living-adjustments (COLAs). Projections also are required to include the effects of ad hoc postemployment benefit changes (including ad hoc COLAs), if they are considered to be substantively automatic.

Projected benefit payments are required to be discounted to their actuarial present value using the single rate that reflects (1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncements (continued)

The actuarial present value of projected benefit payments is required to be attributed to periods of employee service using the entry age normal actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.

The Authority implemented this statement in 2015. This change in an accounting principle had the following effects on the Authority's financial statements:

- a) the recording of the net pension liability (unfunded pension plan obligation),
- b) an actuarially determined pension expense and deferred outflows of resources,
- c) significant new note disclosures, and new required supplementary information data,
- d) restated beginning net position with an adjustment for the cumulative effect of this change in accounting principle by \$322,696.

In November, 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Authority implemented this statement during 2015. The adoption of this standard did not have a material impact on the Authority's financial statements.

In January, 2013, the GASB issued GASB No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Authority implemented this statement during fiscal year 2015. The adoption of this standard did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2015 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.

<u>Statement No.</u>	<u>Adoption Required in Fiscal Year</u>
72 <i>Fair Value Measurement and Application</i>	2016
73 <i>Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts that Meet Specified Criteria</i>	2016
74 <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	2017
75 <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans</i>	2018

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

c) Capital Grants – The Authority receives capital grants from various governmental agencies to be used for various purposes connected with the planning, modernization and expansion of transportation facilities and equipment. Capital grants are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

d) 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.

e) Restricted Assets and Restricted Liabilities – Restricted assets are restricted for the acquisition of capital assets, the stabilization fund and the reserve for extraordinary expense. Restricted liabilities are amounts payable from the restricted assets.

f) 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:

	<u>Years</u>
Building and structures	15 – 40
Vehicles	4 – 10
Equipment	5 – 7
Intangible assets	5

g) 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.

h) 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.

i) Restricted Cash and Investment Accounts – Certain cash and investments are segregated from operating cash due to certain internal or external restrictions as follows:

- Stabilization and contingency reserve accounts – represent funds held in accordance with statutory requirements to be used when annual revenues are projected to be less than annual expenses, or if the Authority has insufficient funds on hand to pay current expenses.
- Other Accounts – represent internally restricted funds held for capital maintenance and other expenses.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

j) Postemployment Benefits – Postemployment benefits, primarily healthcare, are recognized on an accrual basis. The accrual is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when future retirees earn their postemployment benefit rather than when they use their postemployment benefit. To the extent that the Authority does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the statement of net position.

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

l) Unearned Revenue – Unearned revenue consists primarily of receipts received to fund future Authority operations. Such amounts are recognized as revenue in subsequent periods as they are earned.

m) 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 Barnstable County Retirement Association (BCRA) and additions to/deductions from the BCRA’s fiduciary net position have been determined on the same basis as they are reported by BCRA. 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.

n) Deferred Outflows/Inflows of Resources

The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and deferred inflows, respectively, to distinguish them from assets and liabilities. For fiscal 2015, the Authority has reported deferred outflows of resources that are related to its pension plan.

3. Cash and Cash Equivalents

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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

3. Cash and Cash Equivalents (continued)

Pursuant to GASB No. 40, custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are fully Federal Depository Insurance Corporation (FDIC) and Depositors Insurance Fund (DIF) insured or are collateralized with securities held by the pledging financial institution's trust department or agent in the pledging financial institutions name.

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2015 are as follows:

Balance per banks	\$ 661,612
Deposits covered by:	
Federal Depository Insurance Corporation	(250,000)
Massachusetts Depositors Insurance Fund	(411,612)
Total uninsured and uncollateralized deposits	\$ -

Cash and cash equivalents reported in the accompanying statement of net position as of June 30, 2015 are as follows:

Current asset - cash and cash equivalents	\$ 367,492
Restricted assets - cash and cash equivalents	243,315
	\$ 610,807

4. Grants

The Federal government provides both operating and capital funding pursuant to the various sections of the Safe, Accountable, Flexible, Efficient Transportation Equity Act (SAFETEA-LU), of 2005. Activities that previously received dedicated funding from SAFETEA-LU are being replaced by funding from new legislation, namely, the Moving Ahead for Progress in the 21st Century (MAP-21) Act, of 2012. Further, MassDOT and the Town of Nantucket provide the local share of operating assistance and capital assistance is funded solely by MassDOT.

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Notes to Financial Statements
June 30, 2015

5. Receivable for Operating and Capital Assistance

The receivable for operating and capital assistance at June 30, 2015 is disaggregated as follows:

Current

Operating assistance

United States Department of Transportation -
Pass-through grant through the Commonwealth
Operating grant
Rural area assistance

\$ 531,946

Local operating assistance to be billed to
the Towns constituting the Authority and
paid by the Commonwealth to the Authority

433,189

Total operating assistance

965,135

Less noncurrent portion

(86,657)

Total current operating assistance

\$ 878,478

Noncurrent

Capital assistance

Commonwealth of Massachusetts

\$ 461,988

Total capital assistance

\$ 461,988

6. Other Current Assets

The other current asset balance, in the accompanying statement of net assets, includes a motor vehicle parts and fuel inventory of approximately \$10,000. This inventory is stated at the lower of cost or market on a first-in, first-out basis.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and structures	\$ 717,610	\$ 2,179	\$ -	\$ 719,789
Vehicles	4,409,432	563,882		4,973,314
Equipment	373,214	9,907		383,121
Intangible asset	17,800			17,800
Subtotal	<u>5,518,056</u>	<u>575,968</u>	<u>-</u>	<u>6,094,024</u>
Accumulated depreciation	<u>2,931,704</u>	<u>480,011</u>		<u>3,411,715</u>
Net depreciable and net capital assets	<u>\$ 2,586,352</u>	<u>\$ 95,957</u>	<u>\$ -</u>	<u>\$ 2,682,309</u>

Depreciation expense for the year was \$480,011.

8. Accounts Payable and Accrued Expense

The accounts payable and accrued expense balance at June 30, 2015 is disaggregated as follows:

Payable to general vendors	\$ 50,482
Accrued salaries and benefits	22,118
	<u>\$ 72,600</u>

9. Revenue Anticipation Notes

During the year ended June 30, 2015, the following changes occurred in the Authority's revenue anticipation notes (RANs):

Beginning balance	\$ 600,000
Notes retired	(600,000)
Ending balance	<u>\$ -</u>

The Authority did not issue a new RAN in 2015.

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10. Restricted Net Position

Restricted net position is comprised of the total restricted net assets less liabilities payable from restricted net assets. The following delineates the expendable versus nonexpendable restricted net position at June 30, 2015:

Expendable		
Restricted for capital assets		\$ 3,795
Nonexpendable		
Restricted by enabling legislation		
Stabilization fund		92,091
Reserve for extraordinary expense		69,306
		161,397
		\$ 165,192

11. Leases

Operating lease

At June 30, 2015, the Authority had noncancelable operating lease commitments with terms in excess of one year. The future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 46,379
2017	42,212
2018	21,379
2019	21,379
2020	21,379
2021 - 2025	106,895
2026 - 2028	48,103
	\$ 307,726

Aggregate rental expense for the year was \$46,386. The lessor related to this rental expense is the Town of Nantucket, a related party, Note 14.

12. Employees' Retirement Benefits

Pension Plan

General Information about the Pension Plan

Plan Description – The Authority provides employees retirement benefits through the Barnstable County Retirement Association (BCRA). The Plan is a cost-sharing, multiple-employer, defined benefit pension plan. The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Massachusetts General Laws, Chapter 32. Oversight of the BCRA 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 750 Attucks Lane, Hyannis, MA 02601.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

12. Employees' Retirement Benefits (continued)

Pension Plan (continued)

Benefits Provided – The Plan covers all eligible 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.

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% and 9% of their covered compensation, depending on plan entry date. The Authority's contractually required contribution rate for the year ended June 30, 2015, was 20.24% 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 \$30,338 for the year ended June 30, 2015.

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

At June 30, 2015, the Authority reported a liability of \$322,696 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Update procedures were used to roll forward the total pension liability to December 31, 2014. 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, 2014, the Authority's proportion of net pension liability was .057 percent.

Since BCRA performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

For the year ended June 30, 2015, the Authority recognized pension expense of \$31,627 and reported deferred outflows of resources related to pensions from the following source:

	Deferred Outflows of Resources
	\$ 553
Net difference between projected and actual earnings on pension plan investments	\$ 553

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

12. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

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

<u>Year</u>		
2016	\$	138
2017		138
2018		138
2019		139

Actuarial Assumptions – The total pension liability in the January 1, 2014 actuarial valuation and the related update to December 31, 2014 (the measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Amortization method	Payments increase at 4.0 percent
Asset valuation method	Sum of actuarial value at beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% market value.
Remaining amortization period	22 years
Inflation	4.0 percent
Salary increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Cost of living adjustments	3.0 percent of first \$15,000 of retirement income
Rates of retirement	Varies based on age
Rates of disability	45 percent of all disabilities are ordinary (55 percent are service related)
Mortality rates:	
Pre-retirement	The RP-2000 Employee Mortality Table projected generationally with a Scale AA from 2010.
Healthy Retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally with a Scale AA from 2010.
Disabled Retiree	The RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally with a Scale AA from 2010.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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12. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of actuarial experience study for the period of January 1, 2012 to January 1, 2014.

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>
Domestic Equity	20.00%	6.60%
International developed markets equity	16.00%	7.10%
International emerging markets equity	7.00%	9.40%
Core fixed income	13.00%	2.20%
High-yield fixed income	10.00%	4.70%
Real estate	10.00%	4.40%
Commodities	4.00%	4.40%
Hedge fund, GTAA, Risk parity	10.00%	3.90%
Private equity	10.00%	11.70%
Total	100.00%	

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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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June 30, 2015

12. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

Actuarial Assumptions (continued)

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 <u>(6.75 %)</u>	Discount Rate <u>(7.75 %)</u>	1% Increase <u>(8.75 %)</u>
Authority's proportionate share of the net pension liability	\$ 416,005	\$ 322,696	\$ 243,575

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued BCRA financial report.

Other Postemployment Benefits (OPEB)

Plan Description – In addition to pension benefits, the Authority provides postemployment healthcare benefits for eligible employees who render at least 10 years of service and attain age 55 or 20 years of service at any age, while in service, until the employee is eligible for Medicare. The benefits, benefit level, employee contributions, and employer contributions are governed by the Authority. As of the actuarial date, 2 active employees and 0 retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

Benefits Provided – Medical coverage, excluding dental, 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 provided that the employee pay 10% of the enrollment cost as established annually by the Plan administrator. Once the retired employee is entitled to Medicare, health care coverage for the employee's spouse will continue as provided for under COBRA, provided that the employee pay 100% of the enrollment costs as established annually by the Plan administrator.

Funding policy – 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 on a pay-as-you-go basis.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

12. Employees' Retirement Benefits (continued)

Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The Authority's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The components of the Authority's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation based on an actuarial valuation as of June 30, 2012 are as follows:

Annual required contribution (ARC)	\$ 22,743
Interest on net OPEB obligation and ARC adjustment	4,554
ARC adjustment	<u>(3,000)</u>
Annual OPEB cost	24,297
Contributions made	<u>-</u>
Increase in net OPEB obligation	24,297
Net OPEB obligation - beginning of year	<u>101,192</u>
Net OPEB obligation - end of year	<u><u>\$ 125,489</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014 and 2013 was as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$18,641	0%	\$ 77,492
June 30, 2014	\$23,700	0%	\$101,192
June 30, 2015	\$24,297	0%	\$125,489

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2015 was as follows:

Actuarial accrued liability (AAL)	\$ 271,432
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 271,432</u></u>
 Funded ratio (actuarial value of plan assets/AAL)	 0.0%
 Covered payroll (active plan members)	 <u><u>\$ 144,812</u></u>
 UAAL as a percentage of covered payroll	 <u><u>187.4%</u></u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

12. Employees' Retirement Benefits (continued)

Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial value of assets was not determined as the Authority has not advance-funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an annual health care cost trend rate of 8.0%, initially, reduced by .5% for six years to an ultimate level of 5% per year. Both rates include a 4.0% general inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

13. Commitments and Contingencies

- a) Federal and State Grants - 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 is 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, will not be material to the accompanying financial statements.
- b) 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; and natural disasters. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverages for each of the past three fiscal years.

The Authority's workers compensation coverage is insured under a retrospectively rated policy. In the opinion of management, any audit adjustment made by the insurance carrier will not be material to the accompanying financial statements.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2015

14. Related Party Transactions

Transactions with MassDOT and the Commonwealth of Massachusetts are as follows:

- a. Receivables for operating and capital assistance are delineated in Note 5.
- b. Actual operating and capital assistance for 2015 is as follows:

Operating assistance	
MassDOT appropriations	\$ 476,277
Federal pass-through grants	531,946
Local (Town) assistance	355,195
Capital assistance	
MassDOT appropriations	484,154
Federal pass-through grants	<u>88,664</u>
Total related party transactions	<u><u>\$ 1,936,236</u></u>

Transactions with the Town of Nantucket (Member Community) are as follows:

- a. Receivable for local assistance is delineated in Note 5.
- b. The lessor on the lease and the rental income described in Note 11 is the Town of Nantucket both directly or indirectly through the Nantucket Memorial Airport Commission.

15. 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. The increase in the reserve for 2015 was \$1,690. The aggregate reserve balance at June 30, 2015 was \$69,306.

The reserve for extraordinary expense is included in the accompanying statement of net position in the Net position category, restricted account.

16. Subsequent Events

The Authority evaluated subsequent events through October 15, 2015, when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the year ended June 30, 2015

	<u>2015</u>
Authority's proportion of the net pension liability	0.057%
Authority's proportionate share of the net pension liability	\$ 322,696
Authority's covered-employee payroll	\$ 149,925
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	215.24%
Plan fiduciary net position as a percentage of the total pension liability	60.43%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2014

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Changes Information

Since the Barnstable County Retirement Association performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information
Schedule of Pension Contributions
For the year ended June 30, 2015

	<u>2015</u>
Actuarially required contribution	\$ 30,338
Contributions in relation to the actuarially required contribution	<u>(30,338)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 149,925
Contributions as a percentage of its covered-employee payroll	20.24%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Authority is required to pay an annual appropriation as established by the Massachusetts Contributory Retirement System. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with adopted early retirement incentive programs.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Other Postemployment Benefit Plan
For the years ended June 30, 2012, 2010 and 2007

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	([b - a] / c)
7/1/2007	\$ -	\$ 45,000	\$ 45,000	0.0%	\$ 134,118	33.6%
6/30/2010	\$ -	\$ 54,852	\$ 54,852	0.0%	\$ 132,720	41.3%
6/30/2010*	\$ -	\$ 188,063	\$ 188,063	0.0%	\$ 132,720	141.7%
6/30/2012	\$ -	\$ 271,432	\$ 271,432	0.0%	\$ 139,126	195.1%

* - Prior years determined by the Authority using the alternative method permitted by GASB

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Schedule 1

STATEMENT OF NET COST OF SERVICE (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2015
FORM 1

	<u>Rural Area Service</u>
I. Operating Costs	
A. RTA administrative costs (excluding depreciation and amortization)	\$ 125,889
B. Purchased services	
Fixed route	1,553,566
Demand response	234,054
Brokerage services	3,004
C. Debt Service	2,617
Total Operating Costs	1,919,130
II. Federal Operating Assistance	
A. FTA operating and administrative	531,946
B. Other federal	
Total Federal Assistance	531,946
III. Revenues	
A. Farebox Revenue	399,476
B. Brokerage service reimbursement	3,003
C. Other third party reimbursement	224,158
D. Other Revenues	
1. Advertising	900
2. Parking	
3. Sale of capital assets	
4. Interest income	4,003
5. Miscellaneous	7,780
Total Other Revenues	12,683
IV. Net Operating Deficit (I-II-III)	747,864
V. Adjustments	
A. Extraordinary expenses (not to exceed 3% of prior year's local assessment)	1,690
B. Fund capital expenditures	81,918
Total Adjustments	83,608
VI. Net Cost of Service (IV+V)	831,472
VII. Net Cost of Service Funding	
A. Local Assessments	355,195
B. State contract assistance	476,277
1. LESS: Adjustment for exceeding 2.5% cap on prior year net operating expenses	
C. State Contract Assistance to be funded	476,277
1. LESS: Payment made by MassDOT in current year	(476,277)
D. Balance requested from the State	\$ -
VIII. Unreimbursed Deficit (VI-VIIA-VIIC)	-

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule 2

Net Cost of Service-Calculation Worksheet and Supplementary Data (Unaudited)

For the Year Ended June 30, 2015
Form 2

I. Proof calculations and other required information:

A. Prior year operating expenses, net of fully funded costs brokerage service	\$	1,791,670
Allowable percentage increase		2.5%
Prior year, net operating expenses times 2.5%		44,792
Current year, allowable net operating expense		1,836,462
Plus adjustments:		
ADA expenses in excess of the 2.5% cap		
Brokerage funded costs		3,004
New service costs		
Other: (explain) Other fully funded (Private Funding)		79,664
Amount under 2.5% cap		
Total allowable operating costs (maximum allowed on Form 1, Line 1)		1,919,130
B. Amount of extraordinary expenses (See V. Adjustments, Form 1)		1,690
Prior year local assessment		346,532
Percentage of extraordinary expense to prior local assessment (not to exceed 3%)		0.5%
C. Aggregate amount of reserve account at June 30.		69,306
Prior year local assessment		346,532
Percentage of reserve account to prior local assessment (not to exceed 20%)		20.0%
D. State the management fee paid to major service providers as a percentage of operating costs incurred.		5.4%
E. State the percentage of benefits paid by RTA on behalf of RTA employees for:		
1. Group life and accidental death insurance		50.0%
2. Group health insurance		90.0%
F. State the brokerage service contracts costs as a percentage of total operating costs.		0.16%
G. Stabilization Fund		
1. Current year		
2. Aggregate balance		92,091

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Schedule 3

Schedule of Compensation Required by Massachusetts (Unaudited)
Executive Office for Administration and Finance
June 30, 2015

<u>Title</u>	<u>Base Salary</u>	<u>Bonus</u>	<u>Severance</u>	<u>Retirement Contribution</u>	<u>Other</u>
Administrator	\$ 88,911	\$ -	\$ -	\$ 18,506	\$ 18,610
Other employees	-	-	-	-	-
Advisory Board Members	-	-	-	-	-