

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

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

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

Table of Contents

Management's Discussion and Analysis	i-vi
Independent Auditors' Report	1-3
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7-20
Required Supplementary Information – Schedule of the Authority's Proportionate Share of the Net Pension Liability	21
Schedule of Pension Contributions	22
Schedule 1: Statement of Net Cost of Service	23
Schedule 2: Net Cost of Service – Calculation Worksheet	24
Schedule 3: Schedule of Local (Towns) Funding	25
Schedule 4: Schedule of Compensation Required By Massachusetts Executive Office For Administration and Finance	26

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

The Reporting Entity

The Cape Cod 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 October 13, 1976, by the various 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.

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, the report includes notes to the financial statements, required supplementary information pertaining to the pension plan 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. The 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 included in the invested in capital assets 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 grants and 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.

CAPE COD 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	\$ 10,507	\$ 11,765
Capital assets, net	26,783	27,090
Restricted and noncurrent assets	1,493	1,187
Total assets	38,783	40,042
Restricted and noncurrent liabilities	12,170	10,594
Current liabilities	3,321	4,590
Total liabilities	15,491	15,184
Net position		
Invested in capital assets	26,783	27,090
Restricted	765	432
Unrestricted	(4,256)	(2,664)
Total net position	\$ 23,292	\$ 24,858

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

	2015	2014
Operating revenues		
Transportation services	\$ 10,255	\$ 8,973
Operating expenses		
Cost of services, maintenance and administration	22,776	20,902
Depreciation	3,285	3,197
	26,061	24,099
Operating loss	(15,806)	(15,126)
Nonoperating revenues and (expenses)		
Operating assistance	12,222	11,629
Other	345	249
	12,567	11,878
Loss before capital contribution	(3,239)	(3,248)
Capital contributions	3,501	2,383
	3,501	2,383
Increase (decrease) in net position	262	(865)
Net position		
Beginning of year		
As previously reported	24,858	25,723
Cumulative effect - change in accounting principle	(1,828)	
As restated	23,030	25,723
End of year	\$ 23,292	\$ 24,858

CAPE COD 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 \$23,292,000.

The Authority's net position decreased by approximately \$1,566,000 (6.3%) during the current year. The net decrease in net position was the result of an increase of approximately \$262,000 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 \$1,828,000.

The Authority's total assets decreased in 2015 versus 2014 by approximately \$1,259,000 (3.1%).

Total current assets decreased in 2015 versus 2014 by approximately \$1,258,000 (10.7%). This was caused primarily by a decrease in receivables for operating assistance.

The restricted and noncurrent assets increased in 2015 versus 2014 by approximately \$306,000 (25.8%). This was caused by increases in restricted cash and equivalents of \$48,000 and deferred outflows of resources of \$3,000, receivable for capital assistance of \$28,000 and receivable for operating assistance of \$227,000.

Total net capital assets decreased in 2015 versus 2014 by approximately \$307,000 (1.1%). This was caused by capital acquisitions of \$2,978,000 net of depreciation of \$3,285,000. These acquisitions were funded by Federal and State capital grants.

Total debt increased by approximately \$307,000 (2.0%). This was caused by an increase in accounts payable both operating and capital asset related of \$827,000 and the net pension liability of \$1,828,000, less a decrease in the revenue anticipation note of \$2,350,000.

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

Revenues

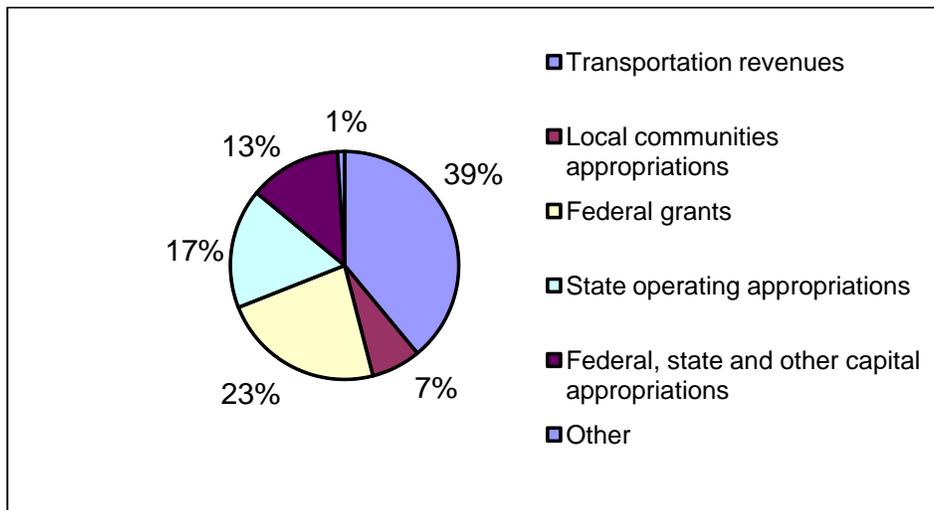
Total operating revenue increased in 2015 versus 2014 by approximately \$1,282,000 (14.3%). This was caused primarily by increases in ridership.

Nonoperating revenue increased in 2015 versus 2014 by approximately \$689,000 (5.8%). This was caused primarily by increases in state contract assistance.

Total capital contributions increased in 2015 versus 2014 by approximately \$1,118,000 (46.9%). This was caused primarily by increases in Federal capital grant funding of \$1,151,000 less decreases in State and other funding.

The increase in net position increased in 2015 versus 2014 by approximately \$1,127,000 (130.3%). This was caused primarily by an increase in capital grant funding.

**Revenues by source:**



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

Operating Expenses

Total operating expenses increased in 2015 versus 2014 by approximately \$1,962,000 (8.1%). This was caused by an increase in the cost of service, maintenance, administration and depreciation expense.

The cost of service increased in 2015 versus 2014 by approximately \$1,683,000 (10.4%). This was caused primarily by an increase in service provided. This increase was mostly related to human service transportation expense which, for the most part, is fully reimbursed by the Commonwealth's Human Service Transportation Department.

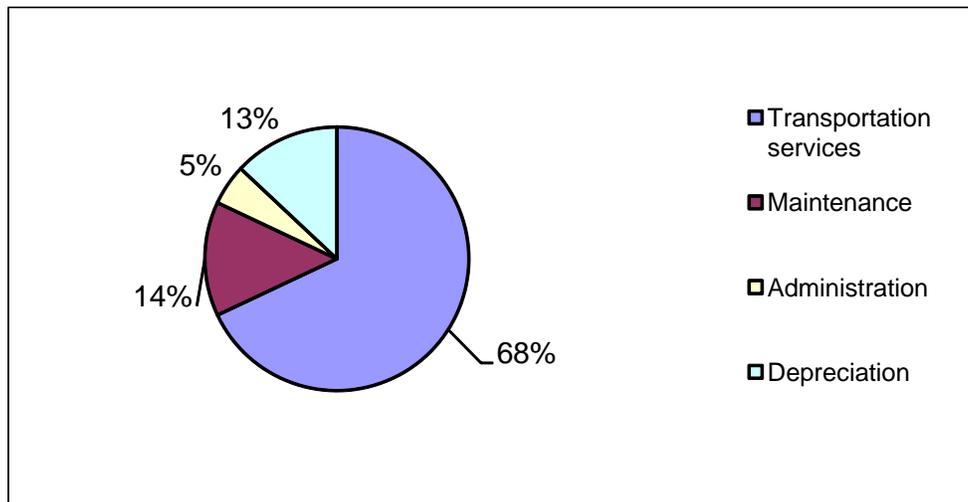
Maintenance expense and administrative expense increased in 2015 versus 2014 by approximately \$191,000 (4.0%).

Depreciation expense increased in 2015 versus 2014 by approximately \$88,000 (2.7%). This was primarily attributable to the addition of a full years' depreciation on 2014 acquisitions and half years' depreciation on 2015 acquisitions.

The Authority's operating loss increased in 2015 versus 2014 by approximately \$680,000 (4.5%).

The cumulative effect of a change in accounting principle of approximately \$1,828,000 was recorded in 2015. This was done to implement GASB No. 68. It was related to recording the net pension liability.

Expenses by source:



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

Capital Assets

The Authority's capital assets as of June 30, 2015, amounted to approximately \$26,783,000, net of accumulated depreciation. The Authority's investment in capital assets includes land, buildings and structures, vehicles, office and maintenance equipment, and intangible assets. During 2015, the Authority invested approximately \$2,978,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants. During the current year, the most significant capital asset events were the acquisition of vehicles and related equipment of \$1,696,000 and improvements to buildings of \$1,161,000.

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

Revenue Anticipation Note

The Authority's revenue anticipation notes decreased in 2015 versus 2014 by \$2,350,000. The Authority reduced the notes with funds provided by the Commonwealth that were designated for this purpose. Further, the Authority has reduced RAN borrowings in each of the past two years.

Economic Factors

Demand for the Authority's services is mainly affected by the overall economic activity on Cape Cod, both seasonally and year-round. The economic activity is a reflection of the overall industry on the Cape 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.

The Authority's operating revenue for the past three years was approximately:

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Farebox revenue	\$1,243,000	\$1,282,000	\$1,346,000
Contract revenue	6,959,000	7,691,000	8,909,000

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 Thomas Cahir, Administrator, Cape Cod Regional Transit Authority, 215 Iyannough Road, P.O. Box 1988, Hyannis MA 02601.

# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT

The Advisory Board  
Cape Cod Regional Transit Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Cape Cod 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 and the schedule of pension contributions) on pages 21 and 22 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 23 through 26, 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

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

Statement of Net Position  
June 30, 2015

<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 3,627,196
Receivables	6,237,102
Other current assets	642,901
Total current assets	<u>10,507,199</u>
Restricted and noncurrent assets	
Restricted assets	
Cash and cash equivalents	47,735
Receivables capital assistance	1,104,204
Receivables	338,040
Capital assets, net	26,782,569
Total restricted and noncurrent assets	<u>28,272,548</u>
Total assets	<u>38,779,747</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow loss related to pensions	<u>3,132</u>
Total assets and deferred outflows of resources	<u>38,782,879</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expense	<u>3,320,814</u>
Total current liabilities	3,320,814
Restricted and noncurrent liabilities	
Liabilities payable from restricted assets	
Accounts payable	386,955
Revenue anticipation notes	9,954,834
Net pension liability	1,828,599
Total restricted and noncurrent liabilities	<u>12,170,388</u>
Total liabilities	<u>15,491,202</u>
NET POSITION	
Invested in capital assets	26,782,569
Restricted	764,984
Unrestricted	(4,255,876)
Total net position	<u>\$ 23,291,677</u>

CAPE COD 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	\$ 10,255,144
Operating expenses	
Transportation service	17,914,297
Maintenance	3,532,546
General and administration	1,328,962
	<u>22,775,805</u>
Depreciation expense	3,285,265
	<u>26,061,070</u>
Operating loss	(15,805,926)
Nonoperating revenues and (expenses)	
Operating assistance grants	
Federal	6,057,907
Commonwealth of Massachusetts	4,385,709
Local	1,778,684
Interest expense	(38,559)
Other income	382,938
	<u>12,566,679</u>
Loss before capital contributions	(3,239,247)
Capital contributions	
Federal	2,534,900
Commonwealth of Massachusetts	932,616
Other	33,731
	<u>3,501,247</u>
Increase in net position	262,000
Total net position	
Beginning of year, as reported	24,858,276
Cumulative effect of a change in accounting principle - implementation of GASB 68	<u>(1,828,599)</u>
Beginning of year, as restated	<u>23,029,677</u>
End of year	<u>\$ 23,291,677</u>

CAPE COD 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	
Receipts from customers	\$ 9,338,584
Payments to vendors and suppliers	(20,669,367)
Payments to employees	(841,503)
Payments of fringe	<u>(180,398)</u>
Net cash used in operations	<u>(12,352,684)</u>
Cash flows from noncapital financing activities	
Proceeds from revenue anticipation notes	10,008,008
Repayment of revenue anticipation notes	(12,300,000)
Operating assistance grants	13,942,152
Interest expense	(123,000)
Other	<u>(3,132)</u>
Net cash provided by noncapital financing activities	<u>11,524,028</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(3,235,289)
Capital contributions	
United States Department of Transportation	2,288,408
Commonwealth of Massachusetts	1,151,288
Other	<u>33,731</u>
Net cash provided by capital and related financing activities	<u>238,138</u>
Cash flows from investing activities	
Interest income	4,887
Other	<u>382,937</u>
Net cash provided by investing activities	<u>387,824</u>
Net decrease in cash and cash equivalents	(202,694)
Cash and cash equivalents at beginning of year	<u>3,877,625</u>
Cash and cash equivalents at end of year	<u>\$ 3,674,931</u>
Reconciliation of operating loss to net cash used in operations	
Operating loss	\$ (15,805,926)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	3,285,265
Changes in assets and liabilities:	
Receivables, net	(916,560)
Other assets	(22,501)
Accounts payable and accrued expense	<u>1,107,038</u>
Net cash used in operations	<u>\$ (12,352,684)</u>
Non-cash capital related financing activities	
At June 30, 2015, the Authority had capital expenditures that were financed via accounts payable	\$ 386,955

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

1. The Authority and Operators

The Cape Cod 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 October 13, 1976, by the various 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, the Commonwealth, 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 private sector transportation companies (the Operators) under the 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 Operator for all costs and expenses which are reasonable and necessary for the efficient operation of the system.

The Authority also has a Human Service Brokerage program, whereby, the Authority coordinates with various human service agencies to provide their 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 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.

CAPE COD 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.

CAPE COD 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)

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, of \$1,828,599.

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

CAPE COD 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 and the reserve for extraordinary expenses. 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	7 – 40
Vehicles	5 – 12
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) Available Unrestricted Resources – The Authority’s policy is to utilize available unrestricted resources prior to restricted resources.

CAPE COD 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) 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.

k) Deferred Outflows/Inflows of Resources

In order to distinguish them from assets and liabilities, 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 inflows, respectively. For fiscal 2015, the Authority reported deferred outflows related to its pension plan. It did not have any deferred inflows of resources.

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.

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 generally invests its funds in deposits that are fully FDIC insured or collateralized by irrevocable letters of credit established in favor of the Authority. At June 30, 2015, the Authority does not have any uninsured or uncollateralized bank deposits.

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

Balance per bank	\$ 3,675,605
Deposits covered by:	
Federal Depository Insurance Corporation	(250,000)
Collateralized with letter of credit	(3,425,605)
Total balance per banks	\$ -

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

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 21<sup>st</sup> Century (MAP-21) Act, of 2012. Further, the Commonwealth of Massachusetts (MassDOT) and the member communities provide the local share of both operating and capital funding.

5. Receivables

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

United States Department of Transportation -	
Direct Federal Grants	
Operating grants	\$ 2,655,864
United States Department of Homeland Security	
Federal Emergency Management Agency	30,026
Commonwealth of Massachusetts	
Operating grants	
State contract assistance	110,736
Local operating assistance to be billed by the Commonwealth to the Towns constituting the Authority and paid by the Commonwealth to the Authority	2,114,892
Executive Office of Human Services	
Transportation	1,623,911
Other	<u>39,713</u>
Total Receivables	6,575,142
Less noncurrent receivables	<u>(338,040)</u>
Current receivables	<u>\$ 6,237,102</u>
Capital assistance	
Commonwealth of Massachusetts	\$ 106,408
Federal grants	<u>997,796</u>
Total Receivables capital grants	<u>\$ 1,104,204</u>

6. Other Current Assets

The other current asset balance includes inventory of motor vehicle parts and fuel of approximately \$294,000 at June 30, 2015. This inventory is stated at the lower of cost or market.

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

7. Capital Assets and Depreciation

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,294,775	\$ -	\$ -	\$ 2,294,775
Contracts in Progress	746,665	104,020	322,558	528,127
Subtotal	<u>3,041,440</u>	<u>104,020</u>	<u>322,558</u>	<u>2,822,902</u>
Depreciable capital assets				
Buildings and structures	18,584,801	1,161,294		19,746,095
Vehicles	17,899,670	1,695,723		19,595,393
Equipment	2,677,967	18,215		2,696,182
Intangible assets	2,427,498	321,511		2,749,009
Subtotal	<u>41,589,936</u>	<u>3,196,743</u>	<u>-</u>	<u>44,786,679</u>
Accumulated depreciation	<u>17,541,747</u>	<u>3,285,265</u>		<u>20,827,012</u>
Net depreciable capital assets	<u>24,048,189</u>	<u>(88,522)</u>	<u>-</u>	<u>23,959,667</u>
Net depreciable and net capital assets	<u>\$ 27,089,629</u>	<u>\$ 15,498</u>	<u>\$ 322,558</u>	<u>\$ 26,782,569</u>

The above land amount is inclusive of a related party capital lease in the amount of \$1,430,000, refer to Note 10 for lease details.

Depreciation expense for the year was \$3,285,265.

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	\$ 3,091,569
Accrued salaries and benefits	138,037
Accrued interest	<u>91,208</u>
	<u>\$ 3,320,814</u>



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

11. Retirement Plans (continued)

a) Pension Plan (continued)

General Information about the 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% to 11% of their covered compensation, depending on plan entry date and their level of compensation. 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 \$171,914 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 \$1,828,599 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 .324 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 \$179,221 and reported deferred outflows of resources related to pensions from the following source:

	Deferred Outflows of Resources
	\$ 3,132
Net difference between projected and actual earnings on pension plan investments	\$ 3,132

CAPE COD REGIONAL TRANSIT AUTHORITY  
(a Component Unit of the Massachusetts Department of Transportation)  
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		783
2017		783
2018		783
2019		783

*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.

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

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.

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

*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	\$ 2,357,346	\$ 1,828,599	\$ 1,380,249

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

b) Deferred Compensation Plan

The Authority has a deferred compensation plan, the Cape Cod Regional Transit Authority Deferred Compensation Plan ("the Plan"), in accordance with Internal Revenue Code Section 457, available to all employees. Under the terms of the Plan, employees who wish to participate may contribute up to a maximum of \$15,500 each year. The Authority did not contribute to the Plan in 2015.

12. Commitments and Contingencies

- a) Purchase commitments – As of June 30, 2015, the Authority had purchase commitments of approximately \$56,000.
- b) Litigation – In the normal course of operations, the Authority has been named in various claims and litigations. 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) 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 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, will not be material to the accompanying financial statements.

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

12. Commitments and Contingencies (continued)

- d) 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.

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.

13. Related Party Transactions

Transactions with MassDOT and the Commonwealth are as follows:

- a. Receivables are delineated in Note 5.  
b. The capital lease with the Commonwealth is referred to in Note 7 and 10.  
c. Actual operating and capital assistance for 2015 is as follows:

Operating assistance	
Commonwealth appropriations	\$ 4,385,709
Local communities' assistance	1,778,684
Capital assistance	
Commonwealth appropriations	932,616
Executive Office of Human Services Transportation	<u>8,909,062</u>
Total related party transactions	<u><u>\$ 16,006,071</u></u>

14. Subsequent Event

Subsequent to June 30, 2015, the Authority issued a \$8,400,000 revenue anticipation note with an interest rate of 1% (effective interest rate is .69% after accounting for premium). This RAN will mature in July, 2016 and is guaranteed by the Commonwealth of Massachusetts. 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.

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. In the current year, the Authority increased the reserve for extraordinary expense by \$47,735. The aggregate reserve balance at June 30, 2015 was \$47,735.

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

16. Post Employment Healthcare Benefits

On September 19, 2012, the Advisory Board approved a proposal to authorize the Authority to institute a post employment healthcare plan. The specifics of the Plan have not been formalized as yet. The Authority intends to formalize the Plan in fiscal year 2016. It deposited \$30,048 in a separate bank account to be contributed to the Plan in 2016.

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

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	0.324%
Authority's proportionate share of the net pension liability	\$ 1,828,599
Authority's covered-employee payroll	\$ 849,571
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.

CAPE COD 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	\$ 171,914
Contributions in relation to the actuarially required contribution	<u>(171,914)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 849,571
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.

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

Schedule 1

Statement of Net Cost of Service (Unaudited)  
Year ended June 30, 2015  
Form 1

	<u>Urbanized Area</u> <u>Service</u>	<u>Rural Area</u> <u>Service</u>	<u>Total Area</u> <u>Service</u>
I. Operating Costs			
A. RTA administrative costs (excluding depreciation)	\$ 1,042,817	184,027	
B. Purchased services			
Fixed route	4,930,408	870,072	
Demand response	5,663,978	999,525	
Brokerage services	7,572,703	1,336,359	
Rail - CapeFlyer	148,096	26,135	
C. Debt Service	36,929	6,517	
Total Operating Costs	19,394,931	3,422,635	22,817,566
II. Federal Operating Assistance			
A. FTA operating and administrative	5,988,102		
B. Other federal	30,026		
Total Federal Assistance	6,018,128	-	6,018,128
III. Revenues			
A. Operating			
1. Farebox Revenue	1,007,916	338,167	1,346,083
B. Brokerage service reimbursement	7,572,703	1,336,359	8,909,062
C. Other third party reimbursement			
D. Rail - CapeFlyer	82,328	14,529	96,857
E. Other Revenues			
1. Advertising			
2. Parking	183,879		
3. Interest income	4,154	733	
4. Sale of capital assets			
5. Miscellaneous	102,233		
Total Other Revenues	290,266	733	290,999
IV. Net Operating Deficit (I-II-III)	4,423,590	1,732,847	6,156,437
V. Adjustments			
A. Extraordinary expenses (not to exceed 2.5% of prior year's local assessment)	40,575	7,160	
B. Current expense			
	40,575	7,160	47,735
VI. Net Cost of Service (IV+V)	4,464,165	1,740,007	6,204,172
VII. Net Cost of Service Funding			
A. Local Assessments	1,308,461	510,002	1,818,463
B. State contract assistance	3,155,704	1,230,005	4,385,709
1. LESS: Adjustment for exceeding 2.5% cap on prior year net operating expenses			
2. LESS: Amount received from prior year carryover			
C. State Contract Assistance to be funded			4,385,709
1. LESS: Payment made by MassDOT during current year			4,385,709
D. Balance requested from the State			-
Viii. Unreimbursed Deficit (VI-VIIA-VIIC)			

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

Schedule 2

Net Cost of Service-Calculation Worksheet (Unaudited)  
Year Ended June 30, 2015  
Form 2

I. Proof calculations and other required information:

A. Prior year operating exp., net of fully funded brokerage serv. costs	\$	13,277,962
Allowable percentage increase:		2.50%
Prior year, net operating expenses times 2.5%		331,949
Current year, allowable net operating expense		13,609,911
Plus adjustments:		
ADA expenses in excess of the 2.5% cap		298,593
Brokerage funded costs		8,909,062
New service costs		
Other fully funded		
	\$	22,817,566
B. Amount of extraordinary expenses (See V. Adjustments, Form 1)	\$	47,735
Prior year local assessment		1,591,161
Percentage of extraordinary to prior local assessments (not to exceed 3%)		3%
C. Aggregate amount of reserve account at June 30.	\$	47,735
Prior year local assessment		1,591,161
Percentage of reserve account to prior local assessment (not to exceed 20%)		3%
D. State the management fee paid to major service providers as a percentage of operating costs incurred.		1%
E. State the percentage of benefits paid by RTA on behalf of RTA employees for:		
1. Group life and accidental death insurance		75%
2. Group health insurance		75%
F. State the brokerage service contract cost as a percentage of total operating costs.		39%
G. Stabilization Fund:		
1. Current year	\$	-
2. Aggregate balance	\$	-

Schedule of Local (Towns) Funding (Unaudited)

Year Ended June 30, 2015

<u>Community</u>	<u>Share</u>
Barnstable	\$ 551,118
Bourne	88,429
Brewster	48,830
Chatham	16,558
Dennis	97,953
Eastham	48,787
Falmouth	174,631
Harwich	97,831
Mashpee	99,280
Orleans	81,157
Provincetown	97,611
Sandwich	132,182
Truro	48,819
Wellfleet	48,912
Yarmouth	<u>146,586</u>
	<u>\$ 1,778,684</u>

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

Schedule 4

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	\$ 120,750	\$ -	\$ -	\$ 27,893	\$ 7,308