

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, 2017

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

Table of Contents

Management's Discussion and Analysis	i-ix
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	7-22
Required Supplementary Information –	
Schedule of the Authority's Proportionate Share of the Net Pension Liability	23
Schedule of Pension Contributions	24
Schedule of Funding Progress	25
Schedule 1: Statement of Costs	26
Schedule 2: Statement of Costs – Calculation Worksheet and Supplementary Data	27
Schedule 3: Schedule of Local (Towns) Funding	28
Schedule 4: Schedule of Compensation Required By Massachusetts Executive Office For Administration and Finance	29

CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

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 to the cash and cash equivalents balance at the end of the year.

CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

Condensed Financial Information

Statement of Net Position
(000 omitted)

	2017	2016	2015
Current assets	\$ 7,652	\$ 7,967	\$ 10,507
Capital assets, net	27,050	27,701	26,783
Restricted and noncurrent assets	2,506	1,037	1,490
Total assets	<u>37,208</u>	<u>36,705</u>	<u>38,780</u>
Deferred outflows of resources	198	146	3
Total assets and deferred outflows of resources	<u>37,406</u>	<u>36,851</u>	<u>38,783</u>
Restricted and noncurrent liabilities	11,151	10,557	12,218
Current liabilities	2,921	2,737	3,273
Total liabilities	<u>14,072</u>	<u>13,294</u>	<u>15,491</u>
Deferred inflows of resources	394	179	
Total liabilities and deferred inflows of resources	<u>14,466</u>	<u>13,473</u>	<u>15,491</u>
Net position			
Invested in capital assets	27,050	27,701	26,783
Restricted	1,069	489	717
Unrestricted	(5,179)	(4,812)	(4,208)
Total net position	<u>\$ 22,940</u>	<u>\$ 23,378</u>	<u>\$ 23,292</u>

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

	2017	2016	2015
Operating revenues	\$ 12,937	\$ 12,658	\$ 10,255
Operating expenses			
Cost of transportation service, maintenance and administration	25,725	23,897	22,776
Depreciation	3,897	3,357	3,285
	<u>29,622</u>	<u>27,254</u>	<u>26,061</u>
Operating loss	<u>(16,685)</u>	<u>(14,596)</u>	<u>(15,806)</u>
Nonoperating revenues and (expenses)			
Operating assistance	13,026	11,125	12,222
Other	(58)	(55)	345
	<u>12,968</u>	<u>11,070</u>	<u>12,567</u>
Loss before capital contribution	<u>(3,717)</u>	<u>(3,526)</u>	<u>(3,239)</u>
Capital contributions	3,279	3,612	3,501
Change in net position	<u>(438)</u>	<u>86</u>	<u>262</u>
Net position			
Beginning of year	23,378	23,292	23,030
End of year	<u>\$ 22,940</u>	<u>\$ 23,378</u>	<u>\$ 23,292</u>

CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2017 and 2016

The assets of the Authority exceeded its liabilities at June 30, 2017 by \$22,940,000.

The Authority's net position decreased by approximately \$438,000 during the current year. This was due primarily to operating revenues of \$12,937,000, nonoperating revenues (primarily grants) of \$12,968,000 and capital contributions of \$3,279,000, less operating expenses of \$29,622,000.

The Authority's total assets increased in 2017 versus 2016 by \$503,000 (1.4%).

Total current assets decreased in 2017 versus 2016 by \$315,000 (4.0%). This was caused by decreases in cash and cash equivalents of \$261,000, receivables for operating assistance of \$31,000 and other current assets of \$23,000.

The restricted and noncurrent assets increased in 2017 versus 2016 by \$1,469,000 (141.7%). This was caused by increases in restricted cash and equivalents of \$125,000, receivable for capital assistance of \$862,000 and receivable for operating assistance of \$482,000.

Deferred outflows of resources related to pensions increased in 2017 versus 2016 by \$52,000 (35.6%).

Total net capital assets decreased in 2017 versus 2016 by \$651,000 (2.4%). This was caused by capital acquisitions of \$3,256,000, less depreciation of \$3,897,000 and removals of \$10,000. These acquisitions were funded by Federal and State capital grants.

Total debt increased by approximately \$778,000 (5.9%). This was caused primarily by increases of \$592,000 in accounts payable, both operating and capital asset related, and unearned revenue and other postemployment benefits of \$804,000 less decreases in the revenue anticipation notes of \$494,000 and net pension liability of \$124,000.

Deferred inflows of resources related to pensions increased by \$215,000 (120%).

CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

Revenues

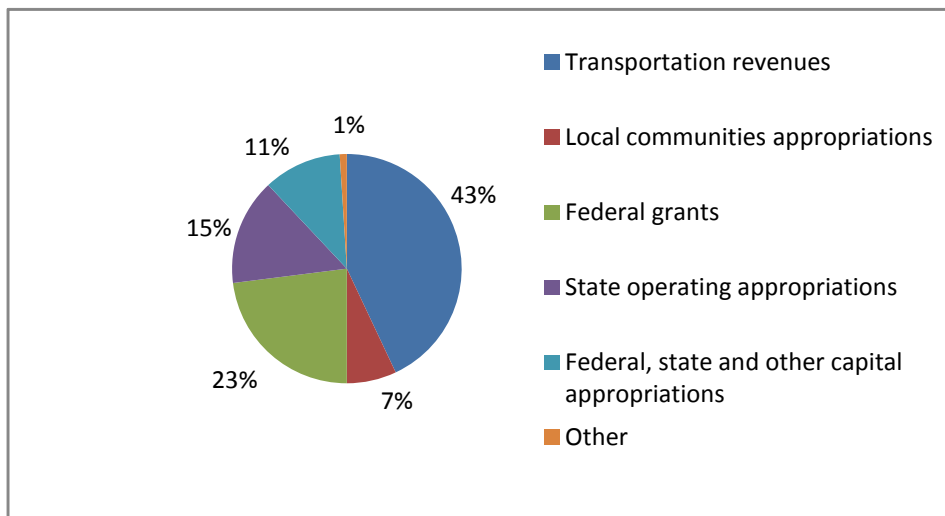
Total operating revenue increased in 2017 versus 2016 by \$279,000 (2.2%).

Nonoperating revenue increased in 2017 versus 2016 by \$1,901,000 (17.1%). This increase was caused primarily by an increase in federal, state and local funding.

Total capital contributions decreased in 2017 versus 2016 by \$333,000 (9.2%).

The change in net position decreased in 2017 versus 2016 by \$524,000.

Revenues by source:



CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

Operating Expenses

Total operating expenses increased in 2017 versus 2016 by \$2,368,000 (8.7%). This was caused by increases in the cost of transportation service, maintenance, administration and depreciation expense.

The cost of transportation services increased in 2017 versus 2016 by \$870,000 (4.5%). This was caused primarily by increases related to human service transportation expenses which, for the most part, are fully reimbursed by the Commonwealth's Human Service Transportation Department.

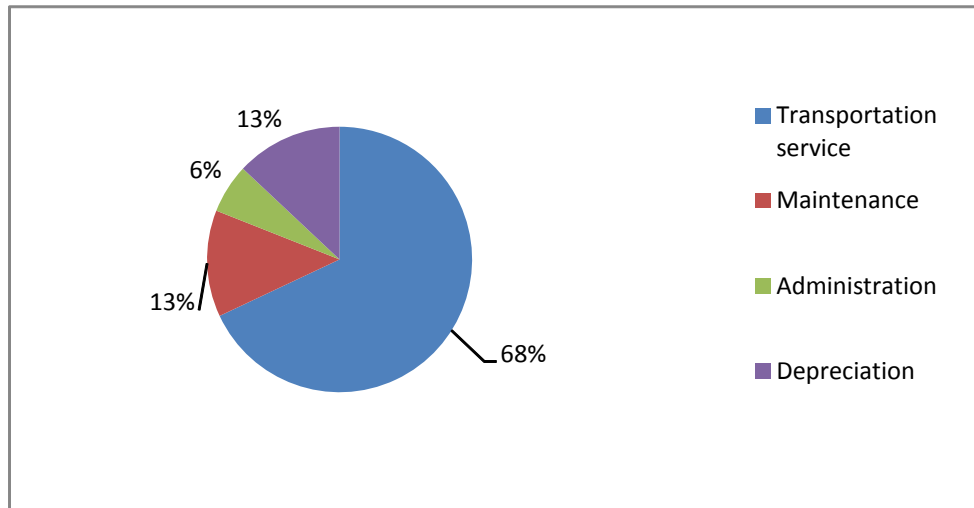
Maintenance expense increased in 2017 versus 2016 by \$520,000 (15.3%). This was caused by payroll increases related to the union contract and overtime, and by increases due to additional parts needed.

Administration expense increased in 2017 versus 2016 by \$437,000 (34.4%). This was caused primarily by the cost of instituting the new postemployment healthcare plan.

Depreciation expense increased in 2017 versus 2016 by \$540,000 (16.1%). This was primarily attributable to the addition of one full year of depreciation on 2016 acquisitions and one half year of depreciation on 2017 acquisitions.

The Authority's operating loss increased in 2017 versus 2016 by \$2,089,000 (14.3%).

Expenses by source:



CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2016 and 2015

The assets of the Authority exceeded its liabilities at June 30, 2016 by \$23,378,000.

The Authority's net position increased by approximately \$86,000 (.4%) during the current year. This was due primarily to operating revenues of \$12,658,000, nonoperating revenues (primarily grants) of \$11,070,000 and capital contributions of \$3,612,000, less operating expenses of \$27,254,000.

The Authority's total assets decreased in 2016 versus 2015 by \$2,075,000 (5.3%).

Total current assets decreased in 2016 versus 2015 by \$2,540,000 (24.2%). This was caused primarily by a decrease in receivables for operating assistance.

The restricted and noncurrent assets decreased in 2016 versus 2015 by \$453,000 (30.4%). This was caused by an increase in restricted cash and equivalents of \$83,000 less decreases in receivable for capital assistance of \$390,000 and receivable for operating assistance of \$146,000.

Deferred outflows of resources related to pensions increased in 2016 versus 2015 by \$143,000.

Total net capital assets increased in 2016 versus 2015 by \$918,000 (3.4%). This was caused by capital acquisitions of \$4,346,000, less depreciation of \$3,357,000 and removals of \$71,000. These acquisitions were funded by Federal and State capital grants.

Total debt decreased by approximately \$2,197,000 (14.2%). This was caused primarily by a decrease in accounts payable both operating and capital asset related of \$668,000 and a decrease in the revenue anticipation note of \$1,553,000, less other increases.

Deferred inflows of resources related to pensions increased by \$179,000.

CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

Revenues

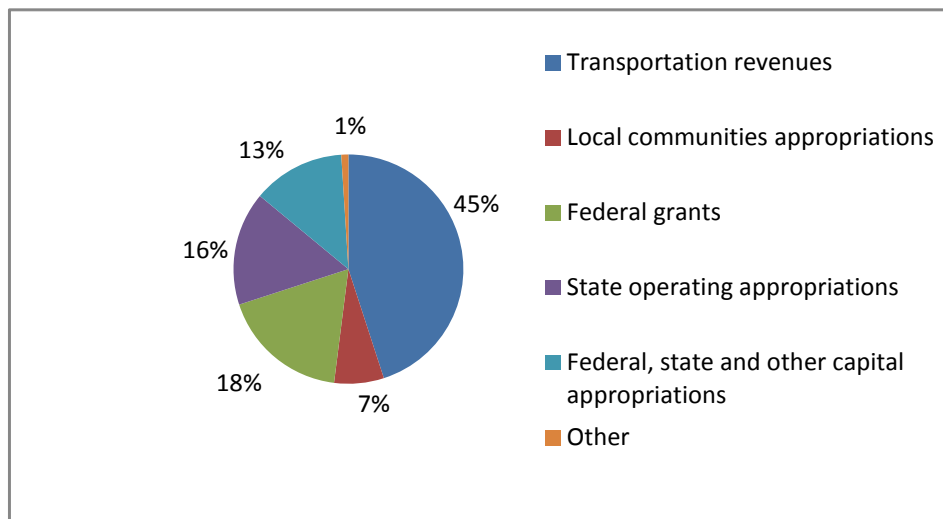
Total operating revenue increased in 2016 versus 2015 by \$2,403,000 (23.4%). This was caused primarily by increases in human service transportation revenue.

Nonoperating revenue decreased in 2016 versus 2015 by \$1,497,000 (11.9%). This decrease was the result of a series of Authority revenue enhancement and cost reduction initiatives. These policies were implemented to eliminate the Authority's over reliance on federal operating grants to fund its operations. As a result of these initiatives, the federal share of revenues supporting the Authority was reduced from 23% in fiscal year 2015 to 18% in fiscal year 2016. Actual federal operating revenues were reduced from \$6,058,000 in fiscal year 2015 to \$4,908,000 in fiscal year 2016, which represents a \$1,150,000 (19%) reduction.

Total capital contributions increased in 2016 versus 2015 by \$111,000 (3.2%).

The change in net position decreased in 2016 versus 2015 by \$176,000 (67.2%).

Revenues by source:



CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

Operating Expenses

Total operating expenses increased in 2016 versus 2015 by \$1,193,000 (4.6%). This was caused primarily by an increase in the cost of transportation services related to human service transportation expenses.

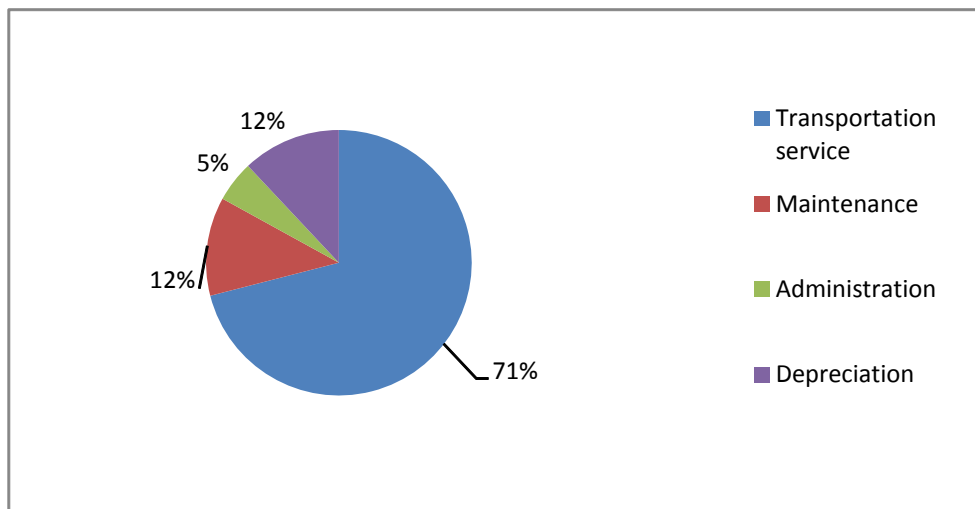
The cost of transportation services increased in 2016 versus 2015 by \$1,323,000 (7.4%). The increase is attributed entirely to human service transportation expenses which, for the most part, are fully reimbursed by the Commonwealth's Human Service Transportation Department. After excluding the human service transportation expense, the Authority's operating expense was decreased in fiscal year 2016 versus 2015 by \$512,000 (6%). This decrease in transportation expense was the result of a series of planned cost reduction initiatives that included: lowered fuel cost through an indexed price fuel contract, revisions to the demand response scheduling model, close management of operator payroll overtime and rebid contracts at a lowered cost.

Maintenance expense and administrative expense decreased in 2016 versus 2015 by \$201,000 (4.1%).

Depreciation expense increased in 2016 versus 2015 by \$72,000 (2.2%). This was primarily attributable to the addition of one full year of depreciation on 2015 acquisitions and one half year of depreciation on 2016 acquisitions.

The Authority's operating loss decreased in 2016 versus 2015 by \$1,210,000 (7.7%).

Expenses by source:



CAPE COD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2017

Capital Assets

The Authority's capital assets as of June 30, 2017, amounted to \$27,050,000, net of accumulated depreciation. The Authority's investment in capital assets includes land, contracts in progress, buildings and structures, vehicles, office and maintenance equipment, and intangible assets. During 2017, the Authority invested \$3,256,000 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 \$2,625,000 and other equipment of \$506,000.

More detailed information regarding the Authority's capital asset activities for 2017 can be found in the notes to the financial statements (Note 7).

Revenue Anticipation Note

The Authority's revenue anticipation notes decreased in 2017 versus 2016 by \$494,000. This was possible due to improved cash flow procedures instituted by the Authority. At year-end, the Authority had \$7,900,000 of Revenue Anticipation Notes outstanding.

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:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Farebox revenue	\$1,346,000	\$ 1,528,000	\$ 1,439,000
Contract revenue	8,909,000	10,744,000	11,178,000

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 years ended June 30, 2017 and 2016, 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, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years 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 ix and the required supplementary information schedules 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 29, 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 September 29, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.

September 29, 2017

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

Statement of Net Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 369,324	\$ 629,860
Receivables	6,515,611	6,546,744
Other current assets	766,973	790,319
Total current assets	<u>7,651,908</u>	<u>7,966,923</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	255,952	131,189
Receivables capital assistance	1,576,252	714,032
Total restricted assets	<u>1,832,204</u>	<u>845,221</u>
Receivables	673,637	192,211
Capital assets, net	27,050,405	27,701,415
Total restricted and noncurrent assets	<u>29,556,246</u>	<u>28,738,847</u>
 Total assets	 37,208,154	 36,705,770
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	<u>197,951</u>	<u>146,067</u>
 Total assets and deferred outflows of resources	 <u>37,406,105</u>	 <u>36,851,837</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	<u>2,921,597</u>	<u>2,737,129</u>
Total current liabilities	<u>2,921,597</u>	<u>2,737,129</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable	607,742	255,158
Unearned revenue	155,791	101,096
Total liabilities payable from restricted assets	<u>763,533</u>	<u>356,254</u>
Revenue anticipation notes	7,908,184	8,402,192
Other postemployment benefits	804,926	
Net pension liability	1,674,157	1,798,849
Total restricted and noncurrent liabilities	<u>11,150,800</u>	<u>10,557,295</u>
Total liabilities	<u>14,072,397</u>	<u>13,294,424</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	<u>393,992</u>	<u>179,434</u>
Total liabilities and deferred inflows of resources	<u>14,466,389</u>	<u>13,473,858</u>
NET POSITION		
Invested in capital assets	27,050,405	27,701,415
Restricted	1,068,671	488,967
Unrestricted	(5,179,360)	(4,812,403)
Total net position	<u>\$ 22,939,716</u>	<u>\$ 23,377,979</u>

See accompanying notes to financial statements

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
Transportation services	\$ 12,617,414	\$ 12,272,153
Parking	232,308	246,852
Other income	87,446	138,880
	<u>12,937,168</u>	<u>12,657,885</u>
Operating expenses		
Transportation service	20,107,803	19,237,506
Maintenance	3,908,723	3,388,513
General and administration	1,708,738	1,271,180
	<u>25,725,264</u>	<u>23,897,199</u>
Depreciation expense	3,897,621	3,357,025
	<u>29,622,885</u>	<u>27,254,224</u>
Operating loss	(16,685,717)	(14,596,339)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	6,716,948	4,908,061
Commonwealth of Massachusetts	4,440,656	4,394,256
Local	1,868,730	1,823,151
Interest expense	(58,153)	(54,663)
	<u>12,968,181</u>	<u>11,070,805</u>
Loss before capital contributions	(3,717,536)	(3,525,534)
Capital contributions		
Federal	1,436,773	1,558,581
Commonwealth of Massachusetts	1,842,500	2,047,691
Other		5,564
	<u>3,279,273</u>	<u>3,611,836</u>
Change in net position	(438,263)	86,302
Total net position		
Beginning of year	<u>23,377,979</u>	<u>23,291,677</u>
End of year	<u>\$ 22,939,716</u>	<u>\$ 23,377,979</u>

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

Statement of Cash Flows

Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Receipts from customers	\$ 12,885,386	\$ 12,362,599
Payments to vendors and suppliers	(23,549,137)	(23,574,190)
Payments to employees	(994,945)	(854,899)
Payments of fringe	<u>(198,293)</u>	<u>(159,084)</u>
Net cash used in operations	<u>(11,856,989)</u>	<u>(12,225,574)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	7,998,197	8,426,303
Repayment of revenue anticipation notes	(8,400,000)	(9,950,000)
Operating assistance grants	12,671,226	11,204,620
Interest expense	<u>(84,001)</u>	<u>(99,499)</u>
Net cash provided by noncapital financing activities	<u>12,185,422</u>	<u>9,581,424</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(1,513,821)	(2,559,528)
Capital contributions		
United States Department of Transportation	852,960	1,935,727
Commonwealth of Massachusetts	174,301	253,128
Other		5,564
Proceeds from sale of equipment	<u>20,879</u>	<u>93,694</u>
Net cash used in capital and related financing activities	<u>(465,681)</u>	<u>(271,415)</u>
Cash flows from investing activities		
Interest income	<u>1,475</u>	<u>1,683</u>
Net cash provided by investing activities	<u>1,475</u>	<u>1,683</u>
Net decrease in cash and cash equivalents	(135,773)	(2,913,882)
Cash and cash equivalents at beginning of year	<u>761,049</u>	<u>3,674,931</u>
Cash and cash equivalents at end of year	<u>\$ 625,276</u>	<u>\$ 761,049</u>
Reconciliation of operating loss to net cash used in operations		
Operating loss	\$ (16,685,717)	\$ (14,596,339)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,897,621	3,357,025
Postemployment healthcare expense	804,926	
Pension expense	37,982	(21,814)
Gain on sale of assets	(11,292)	(52,321)
Changes in assets and liabilities:		
Receivables, net	(40,490)	(242,965)
Other assets	23,346	(147,418)
Accounts payable and accrued expense	<u>116,635</u>	<u>(521,742)</u>
Net cash used in operations	<u>\$ (11,856,989)</u>	<u>\$ (12,225,574)</u>
Supplemental disclosures of noncash transactions		
Capital assets purchased on behalf of the Authority by the Commonwealth of Massachusetts	\$ 1,389,793	\$ 1,918,325
Increase in accounts payable related to capital expenditures	\$ 352,584	\$
Decrease in net pension liability related to changes in deferred outflows and deferred inflows of resources and noncash pension expense	\$ (124,692)	\$ (29,750)

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

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 has 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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

b) Adoption of New Accounting Pronouncements – In December, 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. 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, 2017 and may be 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>	
75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans</i>	2018
81	<i>Irrevocable Split-Interest Agreements</i>	2018
82	<i>Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73.</i>	2018
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2019
85	<i>Omnibus 2017</i>	2018
86	<i>Certain Debt Extinguishment Issues</i>	2018

a) 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, an OPEB restricted cash account and the reserve for extraordinary expenses. Restricted liabilities are amounts payable from the restricted assets.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

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.

j) Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

k) 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.

l) 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 2017 and 2016, the Authority reported deferred outflows and deferred inflows related to its pension plan.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

m) 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 its actuarially required contribution, a postemployment benefit liability is recognized on the statement of net position.

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 has a formal policy with regard to custodial credit risk. The policy is to invest 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, 2017, 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Balance per bank	\$ 1,067,397	\$ 970,732
Deposits covered by:		
Federal Depository Insurance Corporation	(250,000)	(250,000)
Collateralized with letter of credit	<u>(817,397)</u>	<u>(720,732)</u>
Total balance per banks	<u>\$ -</u>	<u>\$ -</u>

4. Grants

The Federal government provides both operating and capital funding pursuant to the various sections of the Moving Ahead for Progress in the 21st Century (MAP-21) Act, of 2012 and the Fixing America's Surface Transportation Act (FAST), of 2015. Further, MassDOT and the member communities provide the local share of both operating and capital funding.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

5. Receivables

The receivable for operating and capital assistance balance is disaggregated as follows:

	<u>2017</u>	<u>2016</u>
United States Department of Transportation -		
Direct Federal Grants		
Operating grants	\$ 2,751,785	\$ 2,451,178
Commonwealth of Massachusetts		
Operating grants		
Local operating assistance to be billed by the		
Commonwealth to the Towns constituting the		
Authority and paid by the Commonwealth to		
the Authority	2,490,384	2,381,188
Executive Office of Human Services		
Transportation	1,913,416	1,801,401
Other	<u>33,663</u>	<u>105,188</u>
Total Receivables	7,189,248	6,738,955
Less noncurrent receivables	<u>(673,637)</u>	<u>(192,211)</u>
Current receivables	<u>\$ 6,515,611</u>	<u>\$ 6,546,744</u>
Capital assistance		
Commonwealth of Massachusetts	\$ 533,188	\$ 254,781
Federal grants	<u>1,043,064</u>	<u>459,251</u>
Total Receivables capital grants	<u>\$ 1,576,252</u>	<u>\$ 714,032</u>

6. Other Current Assets

The other current asset balance includes inventory of motor vehicle parts and fuel for 2017 and 2016 of approximately \$241,000 and \$294,000, respectively. 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, 2017 and 2016

7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,294,775	\$ -	\$ -	\$ 2,294,775
Contracts in Progress		24,275		24,275
Subtotal	<u>2,294,775</u>	<u>24,275</u>	<u>-</u>	<u>2,319,050</u>
Depreciable capital assets				
Buildings and structures	19,945,011	14,254		19,959,265
Vehicles	22,302,257	2,624,565	977,915	23,948,907
Equipment	2,741,848	505,743		3,247,591
Intangible assets	3,214,516	87,361		3,301,877
Subtotal	<u>48,203,632</u>	<u>3,231,923</u>	<u>977,915</u>	<u>50,457,640</u>
Accumulated depreciation	<u>22,796,992</u>	<u>3,897,621</u>	<u>968,328</u>	<u>25,726,285</u>
Net depreciable capital assets	<u>25,406,640</u>	<u>(665,698)</u>	<u>9,587</u>	<u>24,731,355</u>
Net depreciable and net capital assets	<u>\$ 27,701,415</u>	<u>\$ (641,423)</u>	<u>\$ 9,587</u>	<u>\$ 27,050,405</u>

The capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 2,294,775	\$ -	\$ -	\$ 2,294,775
Contracts in Progress	528,127		528,127	-
Subtotal	<u>2,822,902</u>	<u>-</u>	<u>528,127</u>	<u>2,294,775</u>
Depreciable capital assets				
Buildings and structures	19,746,095	198,916		19,945,011
Vehicles	19,595,393	3,862,646	1,155,782	22,302,257
Equipment	2,696,182	79,663	33,997	2,741,848
Intangible assets	2,749,009	732,958	267,451	3,214,516
Subtotal	<u>44,786,679</u>	<u>4,874,183</u>	<u>1,457,230</u>	<u>48,203,632</u>
Accumulated depreciation	<u>20,827,012</u>	<u>3,357,025</u>	<u>1,387,045</u>	<u>22,796,992</u>
Net depreciable capital assets	<u>23,959,667</u>	<u>1,517,158</u>	<u>70,185</u>	<u>25,406,640</u>
Net depreciable and net capital assets	<u>\$ 26,782,569</u>	<u>\$ 1,517,158</u>	<u>\$ 598,312</u>	<u>\$ 27,701,415</u>

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

7. Capital Assets and Depreciation (continued)

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 2017 and 2016 was \$3,897,621 and \$3,357,025, respectively.

8. Accounts Payable and Accrued Expense

The accounts payable and accrued expense balance at June 30, 2017 and 2016 is disaggregated as follows:

	<u>2017</u>	<u>2016</u>
Payable to general vendors	\$ 2,627,024	\$ 2,505,339
Accrued salaries and benefits	149,740	154,790
Accrued interest	144,833	77,000
	\$ 2,921,597	\$ 2,737,129

9. Revenue Anticipation Notes

During the years ended June 30, 2017 and 2016, the following changes occurred in the Authority's revenue anticipation notes (RANs):

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 8,402,192	\$ 9,954,834
New notes issued	7,998,197	8,426,303
Notes retired	(8,492,205)	(9,978,945)
Long-term, net of current portion	\$ 7,908,184	\$ 8,402,192

The RAN outstanding at June 30, 2017, has an interest rate of 2.0% (effective interest rate is 0.8% after accounting for premium), and is due in July, 2017. The above balance is inclusive of an unamortized premium of \$8,184.

All required payments with respect to this obligation are guaranteed by the Commonwealth of Massachusetts. The guarantee is for the entire duration of the note. Further, in the history of the Authority, the Commonwealth has never had to pay anything with respect to the Authority's RANs.

The RAN is expected to be refinanced upon maturity with generally the same terms as the note currently outstanding. Therefore, it is short-term debt expected to be refinanced and is thus classified as long-term debt.

10. Leases

The Authority rents land, under a capital lease, from the Commonwealth of Massachusetts, a related party, for \$1.00 per year. The lease commenced April 2, 2001 and terminates April 2, 2051. The land's present value as of the commencement date was recorded as a capital asset (i.e., land) and was funded via a Commonwealth capital contribution. The Authority's Hyannis Transportation Center is situated on the land and the Authority pays all operating expenses related to the property.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

11. Employees' Retirement Benefits

The Authority sponsors two retirement plans for its employees.

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. The Public Employees Retirement Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's retirement systems. 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.

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, 2017, was 20.03% 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 for 2017 and 2016 were \$135,068 and \$157,188, respectively.

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

At June 30, 2017 and 2016, the Authority reported a liability of \$1,674,157 and \$1,798,849, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Update procedures were used to roll forward the total pension liability to December 31, 2016. 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, 2016, the Authority's proportion of net pension liability was .238 percent.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

11. 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)

For the year ended June 30, 2017, the Authority recognized pension expense of \$173,050 and reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 95,164	\$ -
Changes in assumptions	99,312	
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,475	372,541
Differences between expected and actual experience	21,451	21,451
 Total deferred outflows and inflows	 \$ 197,951	 \$ 393,992

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

Year	
2018	\$ (33,873)
2019	(33,873)
2020	(34,449)
2021	(63,784)
2022	(30,062)

Actuarial Assumptions – The total pension liability in the January 1, 2016 actuarial valuation and the related update to December 31, 2016 (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	Appropriations increase at 5.28 percent per year

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

11. 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)

Asset valuation method	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of assets as reported in the Plan's Annual Statement and the preliminary actuarial value of assets is added to the preliminary actuarial value. In order for the actuarial value to not differ too significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.
Remaining amortization period	20 years
Salary increases	Varies by length of service with ultimate rates of 4.5 percent
Investment rate of return	7.625 percent, net of pension plan investment expense, including inflation
Cost of living adjustments	3.0 percent of first \$16,000 of retirement income as of July 1, 2015, \$17,000 as of July 1, 2016, and \$18,000 as of July 1, 2017
Rates of retirement	Varies based on age
Rates of disability	Assumes 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 Scale BB2D from 2009.
Healthy Retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009.
Disabled Retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

11. 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)

Investment policy – The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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	18.00%	6.44%
International developed markets equity	16.00%	7.40%
International emerging markets equity	6.00%	9.42%
Core fixed income	13.00%	2.02%
High-yield fixed income	10.00%	4.43%
Real estate	10.00%	5.00%
Commodities	4.00%	4.43%
Hedge fund, GTAA, Risk parity	13.00%	3.75%
Private equity	10.00%	10.47%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.625 percent. The projection of cash flows used to determine the discount rate assumed that plan member 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 plan members. 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, 2017 and 2016

11. 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 7.625 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 (6.625 percent) or 1-percentage-point higher (8.625 percent) than the current rate:

	1% Decrease <u>(6.625%)</u>	Discount Rate <u>(7.625%)</u>	1% Increase <u>(8.625%)</u>
Authority's proportionate share of the net pension liability	\$ 2,130,385	\$ 1,674,157	\$ 1,289,354

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 During the current year, the Authority instituted a plan to provide postemployment healthcare benefits through the Barnstable County Postemployment Welfare Benefit Plan. The Plan provides benefits to eligible employees (1) hired before April 2, 2012, who render at least 10 years of service and attain age 55, while in service, or 20 years of service at any age, until the employee is eligible for Medicare and (2) hired on or after April 2, 2012, who render at least 10 years of service are eligible at age 60, while in service until the employee is eligible for Medicare. The benefits, benefit level, employee contributions, and employer contributions are governed by the Authority. At June 30, 2014, the actuarial valuation date, 11 active employees and 0 retirees meet eligibility requirements. The plan does not issue separate stand-alone financial statements.

Benefits Provided – Medical coverage under the group health insurance plan for regular full-time employees will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period provided that the employee pay 25% 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 25% of the enrollment cost (the "working rate") as established annually by the Plan administrator.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

11. 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, 2017, 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, 2014 are as follows:

	<u>2017</u>
Annual required contribution (ARC)	\$ 784,967
Interest on net OPEB obligation and ARC adjustment	98,349
ARC adjustment	<u>(78,390)</u>
Annual OPEB cost	804,926
Contributions made	-
Net OPEB obligation - end of year	<u><u>\$ 804,926</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 year 2017 are as follows:

	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$804,926	0.0%	\$804,926

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2014 was as follows:

Actuarial accrued liability (AAL)	\$ 623,561
Actuarial value of plan assets	<u>(20,017)</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 603,544</u></u>
Funded ratio (actuarial value of plan assets/AAL)	3.2%
Covered payroll (active plan members)	<u><u>\$ 854,419</u></u>
UAAL as a percentage of covered payroll	<u><u>70.6%</u></u>

The Authority has set aside \$100,161 to reduce its OPEB liability. The funds will be disbursed to an OPEB Trust in fiscal year ended June 30, 2018.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

11. 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, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5.0% investment rate of return and an annual health care cost trend rate for (1) Under 65, 10% decreasing by 2.0% for 1 year and 0.5% for 6 years to an ultimate rate of 5.0% per year, and for (2) Over 65, 10% decreasing by 0.5% for 10 years to an ultimate level of 5.0% per year. Both rates include a 4.0% general inflation assumption. The UAAL is being amortized over 30 years as a level percentage of projected payrolls on an open basis.

The fair value of investments method was used to determine the actuarial value of plan assets.

12. Commitments and Contingencies

- a) Purchase commitments – As of June 30, 2017, the Authority had purchase commitments of approximately \$93,000 related to a window replacement project at its maintenance facility.
- 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, 2017 and 2016

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 insurance coverage 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 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Operating assistance		
Commonwealth appropriations	\$ 4,495,352	\$ 4,495,352
Local communities' assistance	1,868,730	1,823,151
Capital assistance		
Commonwealth appropriations	1,842,500	2,047,691
Executive Office of Human Services Transportation	<u>11,178,494</u>	<u>10,744,036</u>
Total related party transactions	<u>\$ 19,385,076</u>	<u>\$ 19,110,230</u>

14. Subsequent Event

Subsequent to June 30, 2017, the Authority issued a revenue anticipation note of \$7,750,000 with an average interest rate of 2% (effective interest rate of 1.12% after accounting for premium). This RAN will mature in July, 2018 and is guaranteed by the Commonwealth of Massachusetts.

The Authority evaluated subsequent events through September 29, 2017, 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.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2017 and 2016

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 Authority increased the reserve for extraordinary expense by \$54,695 and \$53,361 in 2017 and 2016, respectively. The aggregate reserve balance at June 30, 2017 and 2016 was \$155,791 and \$101,096, respectively. The reserve for extraordinary expense is included in unearned revenue in the accompanying statement of net position.

16. Fuel Program

The Authority's fuel program operates under a non-speculative philosophy and transactions are limited to expected volumes anticipated in the normal course of operations. The Authority joined a State negotiated contract which leverages the purchasing power of the Commonwealth to purchase fuel at bulk prices based on a daily tanker pricing of landings at the Boston Commercial Pier. The daily rate is subject to change daily but the delivery charge is a negotiated fixed rate based on geographic zones. The contracts terminate annually on September 30 with an option to extend each year for the next two years. The Commonwealth will rebid the contract at that time.

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 (Unaudited)
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.238%	0.286%	0.324%
Authority's proportionate share of the net pension liability	\$ 1,674,157	\$ 1,798,849	\$ 1,828,599
Authority's covered-employee payroll	\$ 674,182	\$ 792,231	\$ 849,571
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.32%	227.06%	215.24%
Plan fiduciary net position as a percentage of the total pension liability	57.28%	58.10%	60.43%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2016.

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.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Required Supplementary Information
Schedule of Pension Contributions (Unaudited)
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially required contribution	\$ 135,068	\$ 157,188	\$ 171,914
Contributions in relation to the actuarially required contribution	<u>(135,068)</u>	<u>(157,188)</u>	<u>(171,914)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 674,182	\$ 792,231	\$ 849,571
Contributions as a percentage of its covered-employee payroll	20.03%	19.84%	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

Governmental employers are required to pay an annual appropriation as established by PERAC. 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 the Plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Other Postemployment Benefit Plan
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	0% Ratio	Payroll	- UAAAL as a Percentage of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	([b - a] / c)
6/30/2014	\$ 20,017	\$ 623,561	\$ 603,544	3.2%	\$ 854,419	70.6%

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Statement of Costs (Unaudited)
June 30, 2017
Form 1

Schedule 1

	<u>Total Area Service</u>
Operating costs	
RTA administrative costs (excluding depreciation)	\$ 1,621,544
Purchased services	
Fixed route	6,495,152
Demand response	6,369,025
Brokerage services	11,178,494
Rail - Cape Flyer	61,049
Debt Service	59,629
Total operating costs	<u>25,784,893</u>
Federal operating assistance	
FTA operating and administrative	6,716,948
Revenues	
Operating	
Farebox revenue	1,438,920
Brokerage service reimbursement	11,178,494
Rail - Cape Flyer	10,950
Other revenues	
Advertising	2,100
Parking	232,308
Sale of capital assets	11,292
Interest income	1,475
Miscellaneous	51,813
Total revenues	<u>12,927,352</u>
Net operating deficit	6,140,593
Adjustments	
Extraordinary expenses (not to exceed 2.5% of prior year's local assessment)	54,695
Prior year funding adjustment	168,793
	<u>223,488</u>
Net cost of service	<u>6,364,081</u>
Net cost of service funding	
Local assessments	1,868,730
State contract assistance	4,495,351
Total net cost to be funded	<u>6,364,081</u>

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Statement of Costs-Calculation Worksheet and Supplementary Data (Unaudited)
June 30, 2017
Form 2

Schedule 2

I. Proof calculations and other required information:

A. Prior year operating exp., net of fully funded brokerage serv. costs	\$	13,207,826
Allowable percentage increase:		2.50%
Prior year, net operating expenses times 2.5%		<u>330,196</u>
Current year, allowable net operating expense		<u>13,538,022</u>
Plus adjustments:		
ADA expenses in excess of the 2.5% cap		630,205
Brokerage funded costs		11,178,494
New service		<u>438,172</u>
Current year total operating expense	\$	<u><u>25,784,893</u></u>
B. Amount of extraordinary expenses (See V. Adjustments, Form 1)	\$	54,695
Prior year local assessment		<u>1,823,151</u>
Percentage of extraordinary to prior local assessments (not to exceed 3%)		<u>3%</u>
C. Aggregate amount of reserve account at June 30.	\$	155,791
Prior year local assessment		<u>1,823,151</u>
Percentage of reserve account to prior local assessment (not to exceed 20%)		<u>9%</u>
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 health insurance		75%
F. State the brokerage service contract cost as a percentage of total operating costs.		43%
G. Stabilization Fund:		
1. Current year	\$	-
2. Aggregate balance	\$	<u>-</u>

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Schedule of Local (Towns) Funding (Unaudited)

Schedule 3

June 30, 2017

<u>Community</u>		<u>Share</u>
Barnstable	\$	579,019
Bourne		92,906
Brewster		51,302
Chatham		17,397
Dennis		102,912
Eastham		51,257
Falmouth		183,472
Harwich		102,784
Mashpee		104,306
Orleans		85,266
Provincetown		102,552
Sandwich		138,873
Truro		51,290
Wellfleet		51,388
Yarmouth		154,006
		<hr/>
	\$	<u>1,868,730</u>

CAPE COD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Schedule of Compensation Required by Massachusetts (Unaudited)
Executive Office for Administration and Finance
June 30, 2017

Schedule 4

<u>Title</u>	<u>Base Salary</u>	<u>Bonus</u>	<u>Severance</u>	<u>Retirement Contribution</u>	<u>Other</u>
Administrator	\$ 128,105	\$ -	\$ -	\$ 13,507	\$ 11,808