

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the
Massachusetts Department of Transportation)

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2018

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the Southeastern Regional Transit Authority
New Bedford, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Southeastern Regional Transit Authority, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and certain pension and other post-employment information on pages 50 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison, the statement of revenue and cost of service, and the statement of unreimbursed cost of service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The budgetary comparison, the statement of revenue and cost of service, and the statement of unreimbursed cost of service have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

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

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

Fall River, Massachusetts
October 15, 2018

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2018

The Authority's discussion and analysis of Southeastern Regional Transit Authority's financial performance provides an overview of the Authority's financial activities for the years ended June 30, 2018 and June 30, 2017. This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. The summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the Authority's revenues and expenses.

Please read this management discussion and analysis in conjunction with the Authority's basic financial statements, which begin on page 10.

FINANCIAL Highlights:

- Total operating revenue increased slightly from \$2,623,018 in fiscal year 2017 to \$2,636,781 in fiscal year 2018.
- The operating expenses increased from \$20,879,667 in fiscal year 2017 to \$21,117,824 in fiscal year 2018.
- Operating assistance from the Commonwealth remained level funded during fiscal year 2018 and federal operating assistance increased \$629 thousand during fiscal year 2018 versus fiscal year 2017.

Using the Annual Report:

This annual report consists of four parts - *management discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *supplementary information*.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special purpose government engaged in only business-type activities.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position, the statement of activities and the statement of cash flows. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position of Southeastern Regional Transit Authority. The statement of net position presents the assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. The statement of activities shows in broad terms how the net position changed during the fiscal year. The statement of cash flows summarizes the movement of cash and the utilization of resources during the year. The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. There are three allowable categories of net position as prescribed under GASB 34; net position invested in capital assets, net of related debt; net position that is restricted in use, and net position that is unrestricted.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2018

CONDENSED FINANCIAL INFORMATION

Net Position. The Authority's net position decreased between fiscal years ended June 30, 2018 and June 30, 2017 by \$479,015. Significant decreases in long-term liabilities contributed to the change in the Authority's net position as actuarial assumptions and the actual experience of the Authority's pension plans have decreased the "net pension liability" during fiscal year 2018. The Authority also implemented GASB Statement No. 75 during fiscal year 2018, which had a negative effect on net position. The cost of service in excess of revenue is reimbursed by Commonwealth of Massachusetts operating assistance (currently formula based and forward-funded), with a portion of net cost of service assessed to the cities and towns served by the Authority. The remainder is funded through federal operating assistance pursuant to Section 9 of the Urban Mass Transportation Act of 1964. See Table 1.

Table 1

	<u>2018</u>	<u>2017</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Assets:				
Current assets	\$ 9,762,730	\$ 10,127,276	\$ (364,546)	-3.6%
Capital assets	<u>24,064,653</u>	<u>24,030,778</u>	<u>33,875</u>	<u>0.1%</u>
Total assets	<u>33,827,383</u>	<u>34,158,054</u>	<u>(330,671)</u>	<u>-1.0%</u>
Deferred outflows:				
GASB 68/75 related deferred outflows	<u>1,912,117</u>	<u>5,189,852</u>	<u>(3,277,735)</u>	<u>-63.2%</u>
Total deferred outflows of resources	<u>1,912,117</u>	<u>5,189,852</u>	<u>(3,277,735)</u>	<u>-63.2%</u>
Liabilities:				
Current liabilities	5,577,243	5,890,878	(313,635)	-5.3%
Long-term liabilities	<u>6,107,984</u>	<u>10,367,306</u>	<u>(4,259,322)</u>	<u>-41.1%</u>
Total liabilities	<u>11,685,227</u>	<u>16,258,184</u>	<u>(4,572,957)</u>	<u>-28.1%</u>
Deferred inflows:				
GASB 68/75 related deferred inflows	<u>2,663,148</u>	<u>1,219,582</u>	<u>1,443,566</u>	<u>118.4%</u>
Total deferred inflows of resources	<u>2,663,148</u>	<u>1,219,582</u>	<u>1,443,566</u>	<u>118.4%</u>
Net position:				
Unrestricted	(4,117,601)	(3,554,265)	(563,336)	15.8%
Restricted	1,444,074	1,393,627	50,447	3.6%
Investment in capital assets, net of related debt	<u>24,064,652</u>	<u>24,030,778</u>	<u>33,874</u>	<u>0.1%</u>
Total net position	<u>\$ 21,391,125</u>	<u>\$ 21,870,140</u>	<u>\$ (479,015)</u>	<u>-2.2%</u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2018

Changes in Net Position. The Authority's total operating revenue increased by 0.5% to \$2,636,781. Operating expenses also increased by \$238,157 in the current year due to increases in charges to net pension liabilities and depreciation, on the GAAP basis.

Table 2

	<u>2018</u>	<u>2017</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Operating revenue:				
Service revenue	\$ 2,431,244	\$ 2,468,171	\$ (36,927)	-1.5%
Other income	205,537	154,847	50,690	32.7%
Total operating revenue	<u>2,636,781</u>	<u>2,623,018</u>	<u>13,763</u>	<u>0.5%</u>
Operating expenses:				
Operator costs	13,247,561	13,055,069	192,492	1.5%
General and administrative	3,591,055	3,936,395	(345,340)	-8.8%
Depreciation	2,897,121	2,777,422	119,699	4.3%
Other costs of service	<u>1,382,087</u>	<u>1,110,781</u>	<u>271,306</u>	<u>24.4%</u>
Total operating expenses	<u>21,117,824</u>	<u>20,879,667</u>	<u>238,157</u>	<u>1.1%</u>
Operating gain (loss)	<u>(18,481,043)</u>	<u>(18,256,649)</u>	<u>(224,394)</u>	<u>1.2%</u>
Nonoperating revenues/(expenses):				
Local assessment	3,208,118	3,129,871	78,247	2.5%
State assistance	5,653,509	5,766,018	(112,509)	-2.0%
Federal assistance	6,242,447	5,613,141	629,306	11.2%
Other nonoperating revenue/(expense) net:	<u>(33,041)</u>	<u>(5,406)</u>	<u>(27,635)</u>	<u>511.2%</u>
Total nonoperating revenues/(expenses):	<u>15,071,033</u>	<u>14,503,624</u>	<u>567,409</u>	<u>3.9%</u>
Net loss before capital grants	(3,410,010)	(3,753,025)	343,015	-9.1%
Capital grants and contributions	<u>2,930,995</u>	<u>3,812,041</u>	<u>(881,046)</u>	<u>-23.1%</u>
Increase (decrease) in net position	(479,015)	59,016	(538,031)	-911.7%
Net position, beginning of year (restated)	<u>21,870,140</u>	<u>21,811,124</u>	<u>59,016</u>	<u>0.3%</u>
Net position, end of year	<u>\$ 21,391,125</u>	<u>\$ 21,870,140</u>	<u>\$ (479,015)</u>	<u>-2.2%</u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2018

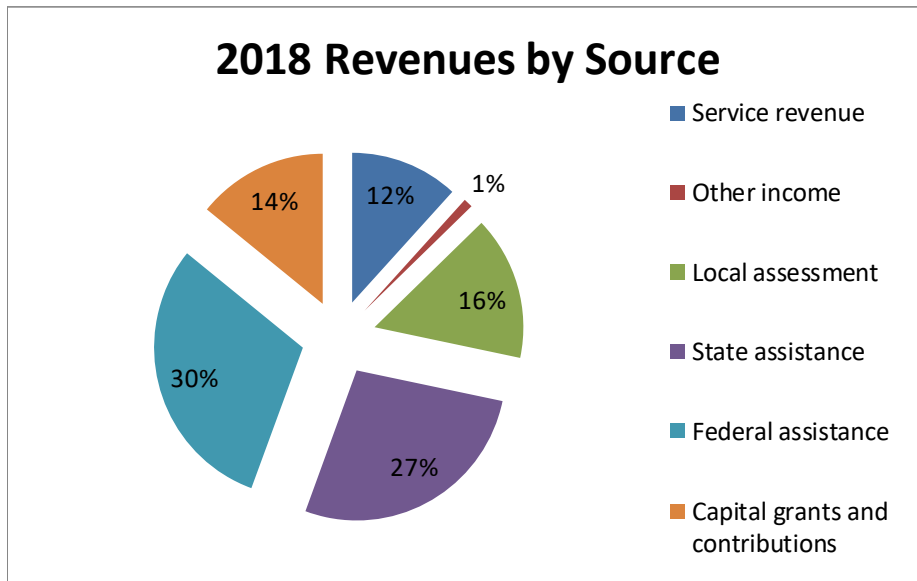
ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Approximately 73% for 2018 and 72% for 2017 of the Authority support comes from federal and state operating assistance and from federal and state capital grants and contributions. The capital grants are to be used for various purposes connected with the planning, modernization and expansion of transportation and facilities. These grants are deferred until such time as the related facilities are put into service. Then the grants are amortized over the estimated useful life of the assets as a reduction of unreimbursed cost of service. The remaining revenues of service, other revenue and local assessments to member communities generate the remaining 27% for 2018 and 28% for 2017. See Table 3.

The operation of bus service is contracted to Southcoast Transit Management, Inc. and a management fee is paid. Transportation service expenses are reimbursed to Southcoast Transit Management weekly upon receipt of an invoice detailing the 2018 weekly expenses. Approximately 62% of the operating cost relates to the cost of transportation services (i.e., salaries and fringe benefits) with 14% of the operating cost representing non-cash depreciation and amortization costs for 2018 as well as 17% of the costs relating to general and administrative costs. See Table 4.

Approximately 63% of the operating cost relates to the cost of transportation services (i.e. salaries and fringe benefits) with 22% of the operating cost representing non-cash depreciation and amortization costs for 2017.

Table 3

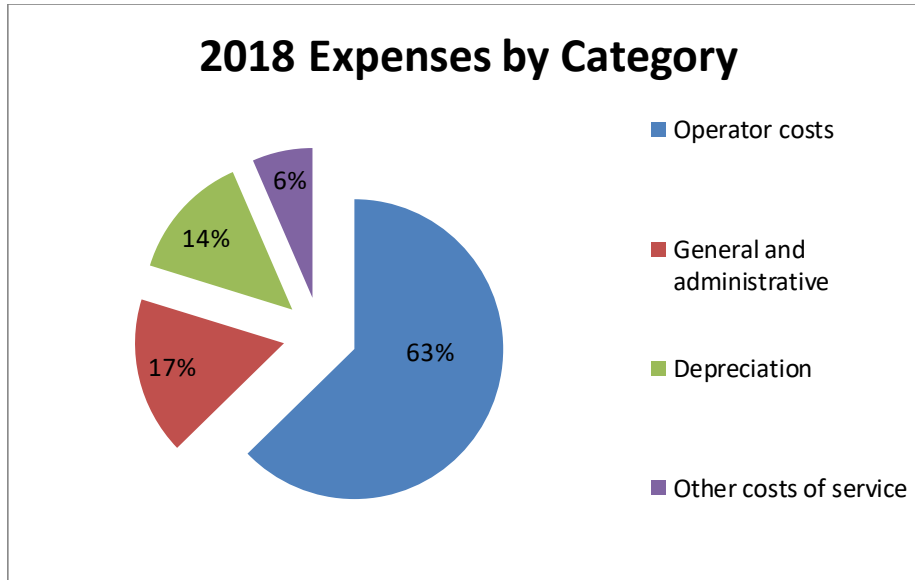


SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2018

Table 4



DISCUSSION AND ANALYSIS OF BALANCES AND TRANSACTIONS

The Authority finished the current year with a decrease in net position of \$479,015. The decrease is a result of depreciation exceeding purchases of capital assets for the current fiscal year, coupled with increases in pension expense, as a result of the experience of the Authority's three pension plans.

The Authority's capital improvement program provides for the replacement and expansion of the present bus fleet and other transportation equipment and the construction of the bus loading facilities, of which \$78,982,595 has been approved for grant spending through June 30, 2018. (See Note 2)

DISCUSSION AND ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

The Authority did revise its budget during fiscal year 2018 as a result of overall operations. Unfavorable variances were present only in intermodal centers, fuel and insurance. The remaining categories had favorable variances. See the "Supplementary Information" section for more information.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2018

DISCUSSION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY DURING THE YEAR

At the end of fiscal year 2018, the Authority had invested \$50,257,742 in property, plant and equipment. \$16,729,262 had been invested in buildings and improvements; \$1,868,115 is invested in non-depreciable assets (land and construction in progress) with the remaining \$31,660,365 in buses and equipment. This amount represents an 4.1% increase or \$1,994,251 over fiscal year 2017 when the Authority had \$48,263,491 invested in property, plant and equipment of which \$16,729,262 had been invested in buildings and improvements, \$1,322,044 was invested in non-depreciable assets, with the remaining \$30,212,185 in buses and equipment. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

	<u>2018</u>	<u>2017</u>	<u>Change in Balances</u>
Land	\$ 326,611	\$ 326,611	\$ -
Construction in progress	1,541,504	995,433	546,071
Building and improvements, net	8,049,985	8,576,991	(527,006)
Buses and equipment, net	13,098,669	12,859,569	239,100
Service equipment, net	229,395	298,124	(68,729)
Furniture and fixtures, net	21,006	38,617	(17,611)
Computers, net	342,220	417,945	(75,725)
Planning, net	455,263	517,490	(62,227)
Total	<u>\$ 24,064,653</u>	<u>\$ 24,030,780</u>	<u>\$ 33,873</u>

As of June 30, 2018 the Authority had \$4,252,868 in revenue bonds outstanding at the end of the fiscal year. The purpose of these bonds is to provide cash flow when the revenue from the FTA, Local Assessment and State Contract Assistance is received at a later date. Under Chapter 161B of the Massachusetts General Laws, the Commonwealth is required to pay principal and interest that is due on any of the Authority bonds issued when the Authority does not have the funds available. The amount of revenue bonds outstanding at June 30, 2018 is \$4,252,868 which is more than the \$4,008,124 outstanding at fiscal year ended 2017 due to expanded services being provided during fiscal years 2015, 2016 and 2017 for which local assessment receipts (i.e. the physical cash receipts) will not be collected until fiscal years 2019 and 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

SRTA has continued to see a small increase in federal funding. For FFY2018, SRTA approximates a \$20,000 increase in 5339 Bus and Bus Facilities funding, however it is unclear if that is a one time or multi-year increase. SRTA's dependency on federal funding has grown over the past few years, as state contract assistance has remained level with the expectation of an outright cut in FY18.

The 2014 transportation funding reform brought an initial influx of resources, which the Authority used to add night service. Since then, State funding has remained level, at best. This has essentially translated into cuts, as costs rise. In the FY19 budget, the Legislature has required that MassDOT form a task force comprised of RTA Administrators, MassDOT officials, State Representatives and State Senators to develop a statewide transportation policy that guides levels of service and corresponding performance. Once the overarching factors are identified, there is an opportunity for the authority to access a portion of \$4,000,000 in new operating funds. These funds will be distributed to the RTAs that enter into MOUs which outline performance measures for the service, as deemed appropriate. Use of the funds could come at a risk, as there is no assurance that the funding will be available the following year.

Lastly, SRTA's ridership dipped slightly by approximately 100,000 trips. Ridership is expected to remain level at 2.6 million trips provided for FY19. The imminent deployment of SRTA's ITS (Intelligent Transportation Systems) will have a substantially positive impact on SRTA's ability to analyze the operating data; changing how (and how quickly) decisions can be made going forward. In addition, passengers will have real time information about their trips. Investments in technology such as ITS will make the riding experience far more efficient for customers, which should favorably impact ridership. SRTA is working diligently to ensure that the new ITS system is thoroughly tested and fully deployed prior to making available to the public in the fall of 2019.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2018

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The 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 Kristen A. Sniezek, Deputy Administrator and Chief Financial Officer, Southeastern Regional Transit Authority, 700 Pleasant Street, Third Floor, New Bedford, MA 02740-6263.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2018

	TOTAL BUSINESS-TYPE ACTIVITIES
Assets	
Current Assets:	
Cash and cash equivalents	\$ 706,999
Receivables:	
State grants receivable	154,237
Local assessment receivable	6,587,988
Federal grants receivable	953,735
Other receivables	38,670
Inventory	1,208,029
Prepaid expenses	113,072
Total current assets	9,762,730
Non-Current Assets:	
Land	326,611
Construction in progress	1,541,504
Building and improvements, net	8,049,985
Buses and equipment, net	13,098,669
Service equipment, net	229,395
Furniture and fixtures, net	21,006
Computers, net	342,220
Planning, net	455,263
Total non-current assets	24,064,653
Total assets	\$ 33,827,383
Deferred outflows of resources	
GASB 68 - New Bedford Plan	459,042
GASB 68 - Hourly Plan	1,338,403
GASB 68 - Salaried Plan	114,672
Total deferred outflows of resources	1,912,117
Total assets and deferred outflows of resources	\$ 35,739,500

The notes to the basic financial statements are an integral part of this statement

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position (Continued)

June 30, 2018

	<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>
Liabilities	
Current liabilities:	
Revenue anticipation notes payable	\$ 4,252,868
Accounts payable and other liabilities	613,674
Due to operator	440,531
Accrued salaries payable	217,191
Accrued interest payable	52,979
Total current liabilities	<u>5,577,243</u>
Non-Current Liabilities:	
Net OPEB obligation (NOO)	230,566
Net pension liability (NPL)	5,316,587
Compensated absences, net of current portion	560,831
Total non-current liabilities	<u>6,107,984</u>
Total liabilities	<u>11,685,227</u>
Deferred inflows of resources	
GASB 68 - New Bedford Plan	132,481
GASB 68 - Hourly Plan	2,212,107
GASB 68 - Salaried Plan	315,383
GASB 75 Related Deferred Inflows	3,177
Total deferred inflows of resources	<u>2,663,148</u>
Net Position	
Unrestricted	\$ (4,117,601)
Restricted:	
Stabilization fund (MGL Ch.161B s.26)	798,262
Fall River terminal project	188
Extraordinary repairs reserve (MGL Ch.161B s.6(q))	625,974
OPEB benefits	19,650
Investment in capital assets:	
Net of accumulated depreciation	494,462
Net of accumulated amortization	23,570,190
Total net position	<u><u>\$ 21,391,125</u></u>

The notes to the basic financial statements are an integral part of this statement

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2018

	TOTAL BUSINESS-TYPE ACTIVITIES
Operating revenues:	
Service revenue	\$ 2,431,244
Advertising income	46,515
Other income	159,022
Total operating revenues	2,636,781
Operating expenses:	
Cost of service	
Salaries	9,518,350
Fringe	2,257,815
Materials and supplies	848,030
Miscellaneous	62,678
Utilities	253,567
Office expense and services	307,121
Subtotal - Cost of service	13,247,561
Additional costs of service:	
Depreciation	2,897,121
Diesel fuel and gasoline	924,788
Management fees paid to operator	457,299
Subtotal - additional costs of service:	4,279,208
Total operating expenses:	17,526,769
Administrative expenses:	
Salaries and fringe	526,598
Advertising	187
Professional fees	106,721
Office expense	52,625
Other administrative expense	90,527
Insurance expense	811,184
Pension and OPEB expense	2,003,213
Total administrative expenses:	3,591,055
Operating income (loss):	(18,481,043)

The notes to the basic financial statements are an integral part of this statement

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

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

For the Year Ended June 30, 2018

	<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>
Nonoperating revenues (expenses):	
Local assessment (MGL Ch.161B s.9)	\$ 3,208,118
State operating assistance (MGL Ch.161B s.23)	5,653,509
Federal - operating assistance (49 USC 5307(d)(2))	5,253,953
Federal - preventative maintenance (49 USC 5307(d)(1))	988,494
Disposition of capital assets	5,425
Interest income	5,346
Interest expense	(66,276)
Amortization of premium	22,464
	15,071,033
Total nonoperating revenues (expenses)	15,071,033
Net loss before capital grants	(3,410,010)
Capital Grants:	
Federal	1,006,781
Commonwealth of Massachusetts	1,924,214
	2,930,995
Total capital grants	2,930,995
Increase (decrease) in net position	(479,015)
Net position, beginning of year (restated)	21,870,140
Net position, end of year	\$ 21,391,125

The notes to the basic financial statements are an integral part of this statement

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash flows from operating activities:

Cash received from federal, state and local governments	\$ (236,401)
Cash received from passenger fares	2,431,244
Cash received from rentals, parking and other	205,537
Cash paid to operators, other vendors and employees	<u>(18,328,544)</u>

Net cash provided (used) by operating activities (15,928,164)

Cash flows from noncapital financing activities:

Operating and contract assistance	15,015,370
Net proceeds from sale of revenue anticipation notes	4,250,000
Principal payments made on anticipation notes	(4,000,000)
Interest payments on anticipation notes	<u>(62,574)</u>

Net cash used in noncapital financing activities 15,202,796

Cash flows from capital and related financing activities:

Capital revenue from state and federal capital grants	3,191,335
Purchase of capital assets	<u>(2,925,571)</u>

Net cash provided (used) by capital and related financing activities 265,764

Cash flows from investing activities:

Interest income on invested funds	<u>5,346</u>
-----------------------------------	--------------

Net cash provided (used) in investing activities 5,346

Net increase (decrease) in cash (454,258)

Cash and cash equivalents at beginning of year 1,161,257

Cash and cash equivalents at end of year \$ 706,999

Displayed at June 30, 2018 as:

Cash and cash equivalents: \$ 706,999

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2018

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ (18,481,043)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization	2,897,121
(Increase) decrease in accounts receivable	(236,401)
(Increase) decrease in inventory	(23,768)
(Increase) decrease in prepaid expenses	(1,179)
(Increase) decrease in deferred outflows of resources	3,277,735
Increase (decrease) in accounts payable and accrued expenses	(257,142)
Increase (decrease) in accrued salaries payable	24,478
Increase (decrease) in accrued pay/compensated absences	10,928
Increase (decrease) in due to operator	(312,209)
Increase (decrease) in net OPEB obligation (NOO)	(95,814)
Increase (decrease) in net pension liability (NPL)	(4,174,436)
Increase (decrease) in deferred inflows of resources	<u>1,443,566</u>
Subtotal	<u>2,552,879</u>
Net cash provided (used) by operating activities	<u>\$ (15,928,164)</u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Fiduciary Net Position – OPEB Trust Fund

For the Year Ended June 30, 2018

ASSETS

Cash:	
Restricted	\$ 1,949
Investments:	
Restricted	<u>105,220</u>
Total assets	<u>\$ 107,169</u>

LIABILITIES

Accounts payable	<u>-</u>
Total liabilities	<u>-</u>

NET POSITION

Restricted	<u>107,169</u>
Total net position	<u>\$ 107,169</u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Changes in Fiduciary Net Position – OPEB Trust Fund

For the Year Ended June 30, 2018

Revenues:	
Employer contributions	<u>\$ 106,086</u>
Total revenue	<u>106,086</u>
Operating expenses:	
Benefits paid	<u>-</u>
Total operating expenses	<u>-</u>
Operating income	<u>106,086</u>
Nonoperating revenues (expenses):	
Investment income	<u>1,083</u>
Total nonoperating revenue (expenses)	<u>1,083</u>
Change in net position	107,169
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ 107,169</u></u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the Southeastern Regional Transit Authority (“the Authority”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

The Southeastern Regional Transit Authority (“the Authority”) was established on April 24, 1974 and commenced operations on July 1, 1974, pursuant to Chapter 1141 of the Acts of 1973 of the Commonwealth of Massachusetts (“the Commonwealth”), Massachusetts General Law 161B to provide public transportation for the territory comprised of the cities of New Bedford and Fall River and the Towns of Acushnet, Dartmouth, Fairhaven, Freetown, Mattapoisett, Somerset, Swansea and Westport. Beginning in 1974, the Authority entered into an operating agreement with a contracted operator who would provide public transportation in the Authority’s service area at levels and on routes specified by the Authority, as required by MGL Chapter 161B, Section 25.

Such agreements are put out to bid in three year intervals, the most recent agreement beginning on June 1, 2017. The Authority has the exclusive right and option to extend the agreement for two additional one year terms. The Authority has the right to terminate the agreement in writing, 90 days prior to the end of the term or with 90 days’ notice upon termination based on good cause, for lack of funding for the transit system or for convenience. The Authority provides the full financial support necessary to reimburse the operator for losses sustained in the operating of service, plus an annual management fee for each year of the contract.

The financial statements present information on activities of the Authority for which the Advisory Board has oversight responsibility. The criteria, as established by the Governmental Accounting Standards Board, for inclusion of activities in the oversight entity’s financial statements are: selection of governing authority, designation of management, ability to significantly influence operations, accountability over fiscal matters and scope of public service. Accordingly, the accompanying statements of revenue, expenses and changes in net position include the revenues and expenses of the operator incurred in the operation of transportation services.

Component Units

In conformity with accounting principles generally accepted in the United States of America, management has evaluated any potential component units being considered for inclusion in the financial reporting entity.

GASB Statement No. 61 modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and applicable financial reporting entity disclosure requirements. Based on GASB Statement No. 61 guidance, organizations that previously were required to be included as a component units by meeting the fiscal dependence criterion now must also have a "financial benefit or burden relationship" present between the primary government and that organization for it to be included in the reporting entity as a component unit. Pursuant to this GASB pronouncement, no component units were identified based on management’s evaluation for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Commonwealth’s Department of Transportation.

Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund on the accrual basis in order to recognize the form of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operations of the Authority are included in the Statement of Net Position. Operating revenues and expenses result from providing transportation services to member communities. All other revenue and expenses are reported as nonoperating revenue and expenses.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Basis of Accounting (Continued)

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting*, the Authority has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

Budgeting

Under Massachusetts General Law Chapter 161B, Section 8h, the Authority adopts an annual operating budget for the planning and administrative activities. The budgeting process enables the Authority to determine the annual contributions required from the member jurisdictions and the Commonwealth of Massachusetts to fund its planning and administrative activities. The budget is prepared on the accrual basis. Depreciation/amortization of grants are not recognized as an expense as these expenses are not budgeted each year. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

Unreimbursed Cost of Service

Massachusetts General Law Chapter 161B Section 10, provides that the Commonwealth shall reimburse the Authority for the Net Cost of Service, as defined by MGL Chapter 161B Section 1. The Net Cost of Service includes a charge equal to the payments made on long-term debt during the period, but does not include charges for depreciation/amortization or grants for operating assistance from the Federal Department of Transportation. The Net Cost of Service is that amount remaining of the net operating expense after the local assessment is taken. This balance is the contracted amount owed by the Commonwealth as State Contract Assistance.

The cost of service in excess of revenue presented in the accompanying Statements of Revenue, Expenses and Changes in Net Position differs from the Net Cost of Service because the Authority follows generally accepted accounting principles for financial reporting purposes. The following table reconciles the Authority's cost of service in excess of revenue to its Net Cost of Service for the year ended June 30, 2018.

Balance at beginning of year	\$ -
Cost of service in excess of revenue	(18,001,193)
Expenses not reimbursable and other operating assistance:	
Depreciation and amortization in excess of principal payments on long-term debt	2,897,121
Local assistance	3,208,118
Federal operating assistance including associated capital maintenance and expanded services	6,242,447
Rounding differences	(2)
Net cost of service	(5,653,509)
Net cost of service reimbursed by the Commonwealth	5,653,509
Over reimbursement of cost of service	\$ -

For financial reporting purposes, the Authority follows the generally accepted accounting principle of depreciating the cost of property over its estimated useful life. The cumulative excess and principal payments on long-term debt are charged to the unreimbursed cost of service account and are recovered in years when the sum of grant amortization and principal payments made on long-term debt exceed depreciation.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and amounts on deposit with banks, including certificates of deposit with maturities of 90 days or less.

Grants and Other Receivables

The Authority carries its accounts receivable at an amount equal to uncollected but earned revenue less write-offs. On a periodic basis, the Authority evaluates its' accounts receivable and utilizes the direct write-off method. Accounts receivable are considered delinquent if not in accordance with the contractual terms. Receivables are written off after collection efforts have failed.

Accrued Sick and Vacation

Authority employees are granted vacation and sick leave in varying amounts. At the end of employment, an employee may be reimbursed for accumulated vacation days and sick days if certain conditions are met. The Authority records accrued sick and vacation costs as an accrued expense.

Net Position

The Authority reports net position as restricted when legally segregated for a specific use or for other special purposes. Otherwise, these balances are considered unrestricted.

Legal restrictions on net position as of June 30, 2018 consisted of the Authority's stabilization fund and its extraordinary repairs reserve. Additional amounts of restricted net position consist of amounts restricted to assist in the Fall River Terminal construction project and an amount owed to the OPEB trust at fiscal year end. The "investment in capital assets" section of net position represent resources related to the capital assets of the Authority.

Capital Assets

Capital assets are recorded at historical cost, while donated fixed assets are recorded at fair market value as of the date of the gift with an aggregated cost of \$1,000 or more and a useful life of more than one year.

Depreciation is charged to operating expense, based on the straight-line method, at rates that are designed to amortize the cost of the property over its estimated useful life. The estimated useful lives on the depreciable portion of the major categories of transportation property are as follows:

	<u>Estimated Useful Life</u>
Buildings and improvements	10 - 40 years
Buses and equipment (including service equipment)	3 - 12 years
Furniture and fixtures	6 - 10 years
Planning	10 years

When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations. In fiscal year 2018, this gain/loss was immaterial to the Statement of Revenues, Expenses and Changes in Net Position.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Grants

The Authority receives grants from certain governmental agencies to be used for various purposes connected with the planning, modernization and expansion of transportation and facilities. These grants are deferred until such time as the related facilities are put into service. The grants are then amortized over the estimated useful lives of the assets as a reduction of the unreimbursed cost of service.

In addition, the Authority receives grants for operating assistance from the Federal Department of Transportation and the Commonwealth Department of Transportation. Those funds are credited to the Net Cost of Service, as they are a reduction of the amounts that would otherwise be paid by the 10 cities and towns constituting the Authority. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Materials, Supplies and Inventory

The Authority uses the weighted average cost method for valuation purposes. The costs of inventory items are recorded as expenditures when used.

Income Taxes

The Authority is exempt from Federal and Commonwealth of Massachusetts income taxes since it is a public body established by statute.

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$187 for the year ended June 30, 2018.

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 amounts reported in the financial statements and accompanying notes and disclosures. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of investments, cash equivalents and grant receivables. The Authority's cash equivalents were with various credit-worthy financial institutions, investments consisted of grant receivables due from Federal, state and local assessments. The Authority considers the credit risk associated with financial instruments to be minimal.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Implementation of New Accounting Principles

For the year ending June 30, 2018, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statement Nos. 81, 85 and 86 had no material reporting impact for the Authority.

2. ***CAPITAL IMPROVEMENT PROGRAM AND RELATED GRANTS***

The Authority's capital improvement program provides for the replacement and expansion of the present bus fleet and other transportation equipment and the construction of bus loading facilities. Grant spending net depreciation/amortization is as follows:

	Federal	State, Local & Other	Total
Approved grant spending through June 30, 2018	\$ 58,231,174	\$ 20,751,421	\$ 78,982,595
Amortization	(43,904,131)	(11,508,274)	(55,412,405)
Net grants balance	\$ 14,327,043	\$ 9,243,147	\$ 23,570,190

Receivables for capital grant expenditures from the federal and state governments were \$210,250 as of June 30, 2018. The expenditures were funded by transportation bonds and operating funds.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

3. ***CASH, CASH EQUIVALENTS AND INVESTMENTS***

Cash and investments as of June 30, 2018 is classified in the accompanying financial statements as follows:

Cash and investments – business-type activities	\$706,999
Cash and investments – fiduciary funds	\$107,169

Deposits are in various financial institutions and are carried at cost which approximates market value. The carrying amount of deposits is displayed in the Statement of Net Position as “Cash”. Petty cash is included in the presentation of cash on the Statement of Net Position in the amount of \$14,544 on June 30, 2018.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At year end the Authority’s carrying amount of deposits was \$814,167, including \$14,544 of petty cash and the bank balance was \$924,246. Of the bank balance, \$679,947 was covered by Federal Depository Insurance and \$244,299 was covered by the Depository Insurance Fund.

The Authority has not formally adopted a deposit and investment policy that limits the Authority’s allowable deposits and investments and addresses the specific types of risk to which the Authority is exposed.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

4. **INVESTMENTS – DEFINED BENEFIT PENSION PLANS AND OPEB TRUST FUND**

a.) **HOURLY PLAN**

The Hourly Plan is a defined benefit pension plan that hold significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the Plan's activities, the plan shows greater disaggregation in its disclosures. The Plan investments are presented in a tabular format for disclosing the levels within the fair value hierarchy as defined in GASB Statement No. 72.

The Hourly Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2017 (the measurement date):

	Measurement Date:	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities				
Principal Global Investors - Core Plus Bond Separate Act-R5	\$ 1,469,906	\$ 1,469,906	\$ -	\$ -
Principal Real Estate Inv - US Property Separate Acct-R5	1,163,049	1,163,049	-	-
Fixed Income Securities				
Other Fixed Income				
Loomis Sayles & Company - Loomis Sayles Strat Inc A Fund	1,542,906	1,542,906	-	-
Fidelity Management & Research - Fidelity ADV Hi Inc Advtg Fu	1,584,332	1,584,332	-	-
Equity Securities				
Large US Equity				
MFS Investment Management - MFS Value R3 Fund	1,709,051	1,709,051	-	-
Harris Associates - Oakmark II Fund	1,703,595	1,703,595	-	-
Principal Global Investors - LargeCap S&P 500 Index SA-R5	1,972,608	1,972,608	-	-
Legg Mason Institutional Funds - ClearBridge Lg Cp Gr A Fund	1,715,496	1,715,496	-	-
Small/Mid US Equity				
LA Capital Mgmt/Victory - MidCap Value I Sep Acct-R5	228,394	228,394	-	-
Principal Global Investors - MidCap S&P 400 Index SA-R5	371,756	371,756	-	-
Principal Global Investors - MidCap Separate Acct-R5	239,279	239,279	-	-
Fidelity Management & Research - Fidelity Adv Sm Cap Val M F	186,897	186,897	-	-
Principal Global Investors - SmallCap S&P 600 Index SA-R5	185,428	185,428	-	-
Legg Mason Institutional Funds - ClearBridge Sm Cp Gr A Fund	193,234	193,234	-	-
International Equity				
OppenheimerFunds, Inc. - Open Developing Mkts R Fund	1,266,212	1,266,212	-	-
Harris Associates - Oakmark Int'l II Fund	1,548,165	1,548,165	-	-
OppenheimerFunds, Inc. - Oppenheimer Intl Growth R Fd	1,566,419	1,566,419	-	-
Total investments by fair value level	<u>\$ 18,646,727</u>	<u>\$ 18,646,727</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments measured at fair value	<u>\$ 18,646,727</u>	<u>\$ 18,646,727</u>	<u>\$ -</u>	<u>\$ -</u>

Debt, equity and fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Hourly Plan had no investments categorized as Level 2 or Level 3 at June 30, 2017 (the measurement date).

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

4. **INVESTMENTS – DEFINED BENEFIT PENSION PLANS AND OPEB TRUST FUND (CONTINUED)**

b.) SALARIED PLAN

The Salaried Plan is a defined benefit pension plan that hold significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the Plan's activities, the plan shows greater disaggregation in its disclosures. The Plan investments are presented in a tabular format for disclosing the levels within the fair value hierarchy as defined in GASB Statement No. 72.

The Salaried Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2017 (the measurement date):

	Measurement Date: June 30, 2017	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt Securities				
None	\$ -	\$ -	\$ -	\$ -
Fixed Income Securities				
Other Fixed Income				
Loomis Sayles & Company - Loomis Sayles Strat Inc A Fund	576,721	576,721	-	-
Fidelity Management & Research - Fidelity ADV Hi Inc Advtg Fund	594,971	594,971	-	-
Principal Global Investors - Core Plus Bond Separate Act-R5	570,650	570,650	-	-
Principal Real Estate Inv - U.S. Property Separate Acct-R5	433,541	433,541	-	-
Principal Global Investors - Liquid Assets Separate Acct - R5	3,025	3,025	-	-
Equity Securities				
Large US Equity				
MFS Investment Management - MFS Value R3 Fund	639,375	639,375	-	-
Harris Associates - Oakmark Fund - Service Class	642,321	642,321	-	-
Principal Global Investors - LargeCap S&P 500 Index SA-R5	740,519	740,519	-	-
T Rowe Price/Brown Advisory - LargeCap Growth I Sep Acct-R5	657,292	657,292	-	-
Small/Mid US Equity				
Principal Global/Barrow Hanley - MidCap Value III Sep Acct-R5	88,003	88,003	-	-
Principal Global Investors - MidCap S&P 400 Index SA-R5	140,557	140,557	-	-
Eaton Vance Management - Etn Vnc Atl Cp SMID-Cap A Fd	89,989	89,989	-	-
JP Morgan Investment Mgmt Inc. - JP Morgan Sm Cap Value A Fund	69,418	69,418	-	-
Principal Global Investors - SmallCap S&P 600 Index SA-R5	70,644	70,644	-	-
AB/CCI/Brown/Emerald - SmallCap Growth I Sep Acct-R5	72,892	72,892	-	-
International Equity				
Capital Research and Mgmt Co. - Amer Funds New World R3 Fund	468,295	468,295	-	-
Harris Associates - Oakmark Int'l Fund Service	578,408	578,408	-	-
OppenheimerFunds, Inc. - Oppenheimer Intl Growth R Fd	586,708	586,708	-	-
Total investments by fair value level	<u>\$ 7,023,329</u>	<u>\$ 7,023,329</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments measured at fair value	<u>\$ 7,023,329</u>	<u>\$ 7,023,329</u>	<u>\$ -</u>	<u>\$ -</u>

The equity and fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Salaried Plan had no investments categorized as Level 2 or Level 3 at June 30, 2017 (the measurement date).

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

4. ***INVESTMENTS – DEFINED BENEFIT PENSION PLANS AND OPEB TRUST FUND (CONTINUED)***

c.) OPEB TRUST FUND

The Authority holds investments that are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB Statement requires or permits in the Statement of Net Position at the end of each reporting period. Because investing is not a core part of the Authority's mission, the Authority determined that the disclosures related to these investments only need to be disaggregated by major type. The Authority chose a narrative format for the fair value disclosures of the OPEB Trust Fund instead of using a tabular format for disclosing the levels within the fair value hierarchy.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72, Fair Value Measurement and Application. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Authority has the following recurring fair value measurements as of June 30, 2018:

Debt Securities:

- Fixed Income Mutual Funds totaling \$45,890 are valued using quoted market prices (Level 1 inputs)

Equity Securities:

- Equities totaling \$59,330 are valued using quoted market prices (Level 1 inputs)

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

5. ***DUE FROM COMMONWEALTH OF MASSACHUSETTS***

The Authority receives various forms of assistance from the Commonwealth for operating assistance as provided in enabling legislation under which the Commonwealth will pay the Authority a portion of its net cost of service. At June 30, 2018, the Authority was owed from the Commonwealth local assessments from fiscal year 2017 and 2018, as well as state capital grant funding. The Commonwealth's department providing this support is the Executive Office of Transportation.

The following is the amount due to the Authority as of June 30, 2018:

Date Received	Commonwealth Appropriation Account Number	Commonwealth Department Name	Appropriation Number / Payment Ref	Fiscal Year of Appropriation	Amount
7/6/2018	N/A	Treasurer	101246-12	FY18 Local Assessment	\$ 249,998
7/9/2018	RTACAP	DOT	#10	2018	7,949
8/3/2018	RTACAP	DOT	#11	2018	145,566
Open A/R	N/A	Treasurer	Misc Short Pays CF	N/A	723
Open A/R	N/A	Treasurer	Earned FY17	FY19 Local Assessment	3,129,871 *
Open A/R	N/A	Treasurer	Earned FY18	FY20 Local Assessment	<u>3,208,120 **</u>
Total amount due from the Commonwealth (June 30, 2018):					<u><u>\$ 6,742,227</u></u>

* - To be collected on the fiscal year 2019 "Cherry Sheet" for amounts earned during the fiscal year 2017

** - To be collected on the fiscal year 2020 "Cherry Sheet" for amounts earned during the fiscal year 2018

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

6. **LOCAL ASSESSMENTS**

The Authority's net cost of service is also funded through assessments to member municipalities, which may increase by no more than 2.5% annually *plus* the members' share of any new services. (MGL Chapter 59 Section 20A). The increase above 2.5% as noted below is as a result of a votes of the Authority's Advisory Board where the Board voted for expanded services to the participating communities (beginning with fiscal year 2015).

Below is a comparison of local assessments to member communities under the provisions of MGL Chapter 161B Section 9 for the current and prior fiscal year as well as the upcoming fiscal year.

Please note – the fiscal year indicated below is based on the “Cherry Sheet” year, not the year in which the local assessments were *earned*. For example, the amount budgeted for local assessments in the fiscal year 2018 budget will not be assessed on the Cherry Sheets until fiscal year 2020.

Member Communities	2017	2018	Percent Change*	2018 Member Allocation
New Bedford	\$ 1,009,095	\$ 1,179,064	16.8%	39.3%
Fall River	1,138,913	1,315,746	15.5%	43.8%
Acushnet	30,405	31,164	2.5%	1.0%
Dartmouth	127,895	176,180	37.8%	5.9%
Fairhaven	32,938	33,762	2.5%	1.1%
Freetown	1	1	100.0%	<0.04%
Mattapoisett	9,695	9,938	2.5%	0.3%
Somerset	77,655	100,538	29.5%	3.4%
Swansea	80,331	111,219	38.5%	3.7%
Westport	31,743	43,156	36.0%	1.4%
Subtotals:	<u>\$ 2,538,671</u>	<u>\$ 3,000,768</u>	<u>18.2%</u>	<u>100.0%</u>

Upcoming fiscal year (fiscal year 2019 “Cherry Sheet”):

Member Communities	2018	2019	Percent Change*	2019 Member Allocation	(earned during FY18) 2020
New Bedford	\$ 1,179,064	\$ 1,211,498	2.8%	38.7%	\$ 1,241,786
Fall River	1,315,746	1,398,241	6.3%	44.7%	1,433,197
Acushnet	31,164	31,944	2.5%	1.0%	32,742
Dartmouth	176,180	182,146	3.4%	5.8%	186,700
Fairhaven	33,762	34,606	2.5%	1.1%	35,471
Freetown	1	1	0.0%	<0.04%	1
Mattapoisett	9,938	10,186	2.5%	0.3%	10,441
Somerset	100,538	103,052	2.5%	3.3%	105,628
Swansea	111,219	113,999	2.5%	3.6%	116,850
Westport	43,156	44,198	2.4%	1.4%	45,304
Subtotals:	<u>\$ 3,000,768</u>	<u>\$ 3,129,871</u>	<u>4.3%</u>	<u>100.0%</u>	<u>\$ 3,208,120</u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements (Continued)

June 30, 2018

7. CAPITAL ASSETS AND DEPRECIATION

	July 01, 2017 Beginning Balance	Increases	Decreases	June 30, 2018 Ending Balance
Not Being Depreciated:				
Land	\$ 326,611	\$ -	\$ -	\$ 326,611
Construction in progress	995,433	546,071	-	1,541,504
Subtotal	<u>1,322,044</u>	<u>546,071</u>	<u>-</u>	<u>1,868,115</u>
Other Capital Assets:				
Building and improvements	16,729,262	-	-	16,729,262
Buses and equipment	25,969,269	2,220,760	936,746	27,253,283
Service equipment	1,873,678	97,662	-	1,971,340
Furniture and fixtures	167,742	-	-	167,742
Computer equipment	777,548	27,869	-	805,417
Planning	1,423,948	38,635	-	1,462,583
Subtotal	<u>46,941,447</u>	<u>2,384,926</u>	<u>936,746</u>	<u>48,389,627</u>
Accumulated Depreciation:				
Building and improvements	8,152,270	527,007	-	8,679,277
Buses and equipment	13,109,701	1,981,659	936,746	14,154,614
Service equipment	1,575,555	166,390	-	1,741,945
Furniture and fixtures	129,125	17,611	-	146,736
Computer equipment	359,603	103,593	-	463,196
Planning	906,459	100,861	-	1,007,320
Subtotal	<u>24,232,713</u>	<u>2,897,121</u>	<u>936,746</u>	<u>26,193,088</u>
Net other capital assets	<u>22,708,734</u>	<u>(512,195)</u>	<u>-</u>	<u>22,196,539</u>
Net capital assets	<u>\$ 24,030,778</u>	<u>\$ 33,876</u>	<u>\$ -</u>	<u>\$ 24,064,654</u>

Depreciation expense was \$2,897,121 for the fiscal year ended June 30, 2018.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

8. ***DEBT AND NOTES PAYABLE***

The Authority is subsidized by the Commonwealth for its annual “Net Cost of Service” as defined in the legislation. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash from deficiencies until funding is received.

Under Chapter 161B of the Massachusetts General Laws, the Commonwealth is required to pay principal or interest that is due on any of the Authority’s bond or note issues if the Authority does not have the funds available.

At June 30, 2018, the Authority had a revenue anticipation note of \$4,250,000 outstanding with interest rate of 1.50% due to mature on August 24, 2018. Of the balance on the note, an unamortized premium of \$2,868 remains. The original premium on the note when issued was \$17,208.

The revenue anticipation notes acquired during 2018 were for the purposes of funding operating expenses. Interest expense for 2018 on revenue anticipation notes was \$66,274.

<u>Note Type</u>	<u>Interest Rates</u>	<u>Issuance Dates</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Premium</u>	<u>Dispositions</u>	<u>Amortized Premium</u>	<u>Ending Balance</u>	<u>Interest Paid</u>
RAN	1.50%	8/25/17	8/24/18	\$ -	\$ 4,250,000	\$ 17,208	\$ -	\$ (14,340)	\$ 4,252,868	\$ 5,171
RAN	2.00%	8/26/16	8/25/17	<u>4,008,124</u>	<u>-</u>	<u>-</u>	<u>(4,000,000)</u>	<u>(8,124)</u>	<u>-</u>	<u>61,103</u>
				<u>\$ 4,008,124</u>	<u>\$ 4,250,000</u>	<u>\$ 17,208</u>	<u>\$ (4,000,000)</u>	<u>\$ (22,464)</u>	<u>\$ 4,252,868</u>	<u>\$ 66,274</u>

9. ***FEDERAL CONTRACT ASSISTANCE***

The Authority is eligible for grants of operating assistance from the Federal Department of Transportation. Pursuant to Section 5307 of the Federal Transit Administration T21, as amended, the federal government will fund up to 50% of the Authority’s Net Cost of Service, as defined. Federal operating assistance amounted to \$5,253,953 for the year ended June 30, 2018. Additionally, the Federal government funded \$797,444 of preventative maintenance costs.

The United States Department of Transportation approves capital grants to fund up to 80% of the Authority’s capital improvement projects. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In addition, the Federal government may fund up to 80% of the Authority’s preventative maintenance and ADA services costs.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

10. ***STATE CONTRACT ASSISTANCE***

The Authority has a contract with the Commonwealth of Massachusetts for operating assistance (MGL Chapter 161B Section 23) providing the Authority with up to 50% of the Authority's net cost of service be paid by the Commonwealth and shall not be assessed upon the cities and towns constituting the Authority. Funding is determined in the Commonwealth's budget and is divided between RTAs based on a formula considering such factors as size and operating environment, as well as ridership and previous state funding levels. Total State Contract Assistance (SCA) for fiscal year 2018 totaled \$5,653,509, an decrease of \$112,509 over the previous year. In fiscal year 2017, SRTA received its SCA of \$5,766,018.

11. ***NET POSITION - RESTRICTED FOR OTHER PURPOSES***

In accordance with Massachusetts General Laws Chapter 161 Section 6(q), the Authority has established a reserve for extraordinary expenses. Prior approval from state officials is required before any expenditures can be made from this reserve. At June 30, 2018, that reserve amounted to \$625,974. The Authority added \$30,797 to this reserve in the current fiscal year from its net position. This reserve is at its maximum allowable balance under the law at fiscal year end June 30, 2018.

12. ***SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)***

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of New Bedford's Contributory Employees' Retirement System ("the System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The System is a contributory defined benefit plan, as established by MGL Chapter 32, covering all City of New Bedford Retirement System member unit employees deemed eligible by the retirement board, with the exception of the school department employees who serve in a teaching capacity.

The System qualifies as a *cost-sharing multiple employer plan* since pension obligations exist for employees of more than one employer and plan assets can be used to pay the benefits of the employees of any employer. Five employers currently participate in the System, the City of New Bedford, the New Bedford Housing Authority, the Greater New Bedford Regional Technical Vocational High School, the Greater New Bedford Regional Refuse Management District, and the Southeastern Regional Transit Authority. Each employer contributes into the plan annually as determined by the Public Employee Retirement Administration Commission ("PERAC"). Please see the section below entitled "Contributions" for more information.

The PERAC issues a publicly available report on the City of New Bedford Retirement System pursuant to MGL Chapter 32 Section 21 that can be obtained at www.mass.gov/perac. This report contains additional information with respect to the System.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

**12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)**

Benefits provided. The System provides retirement, disability, and death benefits. Retirement benefits vest after ten years of creditable service and are determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary (for employees hired prior to April 2, 2012) or 80% of the member's highest five year average (for employees hired on or after April 2, 2012). The benefit rate also varies with the member's retirement age and group classification (see below). Members may elect to receive their retirement allowances in one of three forms of payment (Options A, B and C) per MGL Chapter 32.

Members of the System are eligible for two types disability benefits (ordinary and accidental disability) for which allowances are determined based on the date the member entered the System along with the "group" the member belongs to. Death benefits are also available for members who die as a result of a work-related injury if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired. Allowances for death benefits consist of immediate payments to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary. Other allowances are also entitled to those surviving spouses of the police or fire departments.

Chapter 17 of the Acts of 1997 was adopted by the New Bedford Contributory Retirement System. The result of such adoption allows the Retirement Board to vote to pay a cost of living increase (COLA) for that year, with the percentage determined by the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%.

Contributions. Member contributions vary depending on the most recent date of membership. Members who entered the system prior to 1975 contribute 5% of regular compensation. Members who entered between 1975 and 1983 contribute 7% of regular compensation. Members who entered between 1984 and June 30, 1996 contribute 8% of regular compensation. Members who entered after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined after 1978 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

Under Chapter 32 Section 22F of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040. Thereafter, annual contributions equal to the normal cost will keep the Plan's assets and liabilities in balance. Contributions to the pension plan from participating employers was \$32,069,145 for the fiscal year ended June 30, 2018 as determined by PERAC. Of the total contributed, \$160,188 represents contributions from the Southeastern Regional Transit Authority ("the Authority"). PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

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

The System's net pension liability was measured as of December 31, 2017 (i.e. the "measurement date" as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Update procedures were used to roll forward the total pension liability to the measurement date.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

**12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)**

At June 30, 2018 (i.e. the “reporting date” as defined by GASB Statement No. 68), the System reported a net pension liability of \$374,854,990 while the Authority reported a liability of \$1,872,431 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of the participating employers, actuarially determined. The following chart illustrates each employers proportionate share used at the measurement date:

<u>Employer</u>	<u>Fiscal Year 2018 Actual Employer Contributions</u>	<u>Employer Allocation Percentage</u>
City of New Bedford	\$ 27,741,711	86.5059%
New Bedford Housing Authority	2,198,403	6.8552%
Greater NB Regional Voc. Tech HS	1,689,299	5.2677%
Greater NB Regional Refuse Mgmt. District	279,544	0.8717%
Southeastern Regional Transit Authority	160,188	0.4995%
	\$ 32,069,145	100.0000%

At December 31, 2017, the Authority’s proportion was 0.4995 percent, which was different from its proportion measured as of December 31, 2016, when it was 0.4795 percent. Under GASB Statement No. 68, that change in proportion is noted in deferred outflows / inflows (below).

For the year ended June 30, 2018, the Authority recognized pension expense of \$254,519. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 114,311	\$ -
Changes of assumptions	199,443	31,997
Net difference between projected and actual earnings on pension plan investments	-	72,526
Changes in proportion and differences between employer contributions and proportionate share of contributions	145,288	27,958
System contributions subsequent to the measurement date	-	-
	\$ 459,042	\$ 132,481

\$0 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date of December 31, 2017. There were no employer contributions after December of 2017. Had employer contributions been made subsequent to the December 31, 2017 measurement date, it would have been recognized as a deferred outflow of resources in the year ended June 30, 2018 (per GASB Statement No. 71).

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

**12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)**

Actuarial assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement (not a list of all assumptions):

Inflation	3.00 percent
Salary increases	3.00 percent
Investment rate of return	7.50 percent

Mortality rates for both pre-retirement and post retirement for males and females, were based on the RP-2000 mortality tables. Mortality for disabled members is also represented by the RP-2000 Mortality Tables. For further details on the assumptions used, please refer to the January 1, 2018 actuarial valuation.

The actuarial assumptions used in the January 1, 2018 valuation were prepared using generally accepted actuarial principles and practices and meet the parameters set by GASB Statement No. 68. The assumptions used represent the best estimate of anticipated experience of the system.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30.0%	4.0%
International Equities	10.0%	4.3%
Emerging Markets Equities	10.0%	6.2%
Private Equity	10.0%	7.4%
Fixed Income	15.0%	50.0%
Real Estate	10.0%	3.4%
Alternatives (GTAA)	15.0%	2.8%
Cash	0.0%	0.0%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent (as selected by the Retirement Board; this discount rate approximates the long-term expectation of investment returns). The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long-term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a fully funded status by 2040. In addition, Chapter 32 also gives the Retirement Board the right to go directly to the Assessors of the community and add an additional property tax to bills for amounts not paid by employer. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

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Notes to Financial Statements (Continued)

June 30, 2018

**12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)**

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	\$ 2,264,447	\$ 1,872,431	\$ 1,540,793

Pension plan fiduciary net position. Detailed information about the System's fiduciary net position is available in the City of New Bedford financial statements.

Payables to the pension plan

At June 30, 2018, the Authority did not report any amounts payable to the System for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018. The Authority paid-in 100% of its required appropriation.

13. DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)

a.) HOURLY PLAN

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan of the Southeastern Regional Transit Authority and South Coast Transit Management Inc. for Employees Covered by Collective Bargaining ("the Hourly Plan") and additions to/deductions from the Hourly Plan's fiduciary net position have been determined on the same basis as they are reported by the Hourly Plan. 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.

General Information about the Pension Plan

Plan description. The Hourly Plan's defined benefit pension plan provides pensions for all employees covered by the collective bargaining agreement between the Union and the Operating Company. The Hourly Plan is a *single-employer defined benefit pension plan* administered by the Southeast Regional Transit Authority and South Coast Transit Management. The Authority has agreed under terms of the operating agreement, to provide retirement benefits to the employees of the Operator and to continue playing benefits to those retired employees who were eligible to collect benefits. The Hourly Plan's provisions were last approved on April 1, 2014. There were no nonemployer contributing entities or special funding situations, as defined by GASB 68, for this plan.

Benefits provided. The Hourly Plan provides retirement, termination, disability, and death benefits. Retirement benefits for general employees are calculated as 1.5 percent of the employee's average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 62. Termination benefits are 100% vested after 5 years of vesting service and are the same as normal retirement benefits with income deferred until Normal Retirement Date. Termination benefits equal the accrued benefit on the date of termination multiplied by the vesting percentage. All employees are eligible for disability benefits after 10 years of service with monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date. Death benefits equal a monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. The amount paid for death benefits equal the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

There have been no changes in plan provisions during the measurement period (July 1, 2016 to June 30, 2017) or between the measurement date and the fiscal year end (June 30, 2018).

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Active plan members	113
Inactive plan members entitled to but not yet receiving benefits	23
Disabled plan members entitled to benefits	1
Retired plan members or beneficiaries currently receiving benefits	111
Subtotal	248

Contributions. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined contribution for the measurement period ending June 30, 2017 is \$886,040 for employer contributions. The actuarially determined contribution for the upcoming measurement period ending June 30, 2018 is \$821,682. Currently, there is no written funding policy. It is assumed that the past contribution pattern will continue.

Net Pension Liability

The Hourly Plan's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement (not a complete list of all assumptions used):

Inflation	2.00 percent (long-term)
Salary increases	4.50 percent
Investment rate of return	7.00 percent
Discount rate	7.00 percent

Mortality rates were based on the 2017 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female, both during and before the benefit payment period.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2016. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2016 is 20-30 years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

<u>Asset Class</u>	<u>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	7.85%	6.50%	37.78%
US Equity - Mid Cap	8.10%	6.50%	4.49%
US Equity - Small Cap	8.55%	6.50%	3.02%
Non-US Equity	8.10%	6.50%	23.08%
Real Estate (direct property)	5.80%	5.50%	6.21%
Cash	1.55%	1.55%	0.65%
TIPS	3.05%	2.85%	0.00%
Core Bond	3.75%	3.60%	18.34%
High Yield	6.70%	6.30%	6.43%
Total			<u>100%</u>

Discount rate. The discount rate used to determine the total pension liability was 7.00%. The discount rate used for the prior measurement date was 6.07%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2017 to 2112. The fiduciary net position was projected to be greater than or equal to the expected benefit payments for each period from 2017 to 2112. Benefit payments after 2112 are projected to be \$0.00.

The long-term rate of return of 7.00% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected benefit payments. Otherwise, a municipal bond rate of 3.88% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the measurement date.

The discount rate of 7.00% is the single rate that incorporates the long-term rate of return and municipal bond rate assumptions as described above.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at the beginning of the period	\$ 22,956,200	\$ 16,345,688	\$ 6,610,512
Changes for the year:			
Service cost	666,967	-	666,967
Interest	1,397,531	-	1,397,531
Differences between expected and actual experience	(720,682)	-	(720,682)
Changes in assumptions	(2,036,526)		(2,036,526)
Contributions - employer	-	658,392	(658,392)
Net investment income	-	2,792,716	(2,792,716)
Benefit payments, including refunds of employee contributions	(1,136,275)	(1,136,275)	-
Changes in benefit terms	130,984		130,984
Administrative expense	-	(10,972)	10,972
Assets transferred to the salaried plan	-	(2,819)	2,819
Other changes	-	-	-
Net changes	<u>(1,698,001)</u>	<u>2,301,042</u>	<u>(3,999,043)</u>
Balances at the end of the period	<u>\$ 21,258,199</u>	<u>\$ 18,646,730</u>	<u>\$ 2,611,469</u>

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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Hourly Plan, calculated using the discount rate of 7.00 percent, as well as what the Hourly Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Hourly Plan Net Pension Liability	\$ 4,879,755	\$ 2,611,469	\$ 668,260

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

For the year ended June 30, 2018, the Hourly Plan recognized pension expense of \$962,345. At June 30, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,335	\$ 628,142
Changes of assumptions	1,257,705	1,583,965
Net difference between projected and actual earnings on pension plan investments	60,363	-
	\$ 1,338,403	\$ 2,212,107

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

Year ended June 30:	
2019	\$ (133,255)
2020	150,045
2021	(250,640)
2022	(639,854)
2023	-
Thereafter	-
Subtotal - all years	\$ (873,704)

Payable to the Pension Plan

At June 30, 2018, the Hourly Plan did not report any payables for outstanding amounts of contributions to the pension plan required for the year ended June 30, 2018.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

b.) SALARIED PLAN

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Salaried Employees' Pension Plan of the Southeastern Regional Transit Authority and South Coast Transit Management, Inc. ("the Salaried Plan"). Additions to/deductions from the Salaried Plan's fiduciary net position have been determined on the same basis as they are reported by the Salaried Plan. 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.

General Information about the Pension Plan

Plan description. The Salaried Employees' Pension Plan is a *single-employer defined benefit pension plan* administered by the Southeast Regional Transit Authority and South Coast Transit Management. There were no nonemployer contributing entities or special funding situations, as defined by GASB 68, for this plan.

Benefits provided. The Hourly Plan provides retirement, termination, disability, and death benefits. Retirement benefits for general employees are calculated as 2.15 percent of the employee's average compensation times the employee's years of service, with maximum service of 40 years. For participants employed after November 1, 2015, the benefit amount changes to 1.65% of average compensation times service. Employees with 5 years of service are eligible to retire at age 62. Termination benefits are 100% vested after 5 years of vesting service and are the same as normal retirement benefits with income deferred until Normal Retirement Date. Termination benefits equal the accrued benefit on the date of termination multiplied by the vesting percentage. Totally and permanently disabled employees are eligible for disability benefits at attained age 55 after 10 years of service with monthly income payable until normal retirement reduced by 2% for a participant that does not qualify for social security disability for each year that the early retirement date precedes the normal retirement date with a max reduction of 20%. Death benefits equal a monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. The amount paid for death benefits equal the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

There have been changes in plan provisions during the measurement period (July 1, 2016 to June 30, 2017) however, no changes in plan provisions were made between the measurement date and the fiscal year end (June 30, 2018). The impact of these changes on the Net Pension Liability was a \$236,148 increase.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Active plan members	22
Inactive plan members entitled to but not yet receiving benefits	17
Retired plan members or beneficiaries currently receiving benefits	21
Subtotal	60

Contributions. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined contribution for the measurement period ending June 30, 2017 is \$363,075 for employer contributions. The actuarially determined contribution for the upcoming measurement period ending June 30, 2018 is \$265,973. Currently, there is no written funding policy. It is assumed that the past contribution pattern will continue.

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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

Net Pension Liability

The Salaried Plan's net pension liability was measured as of June 30, 2017 (for the employers' fiscal year ended June 30, 2018), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00 percent (long-term)
Salary increases	4.00 percent
Investment rate of return	7.00 percent
Discount rate	7.00 percent

Mortality rates were based on the 2017 IRS Prescribed Mortality – Static Annuitant, male and female, during the benefit payment period and before the benefit period the 2017 IRS Prescribed Mortality – Non-Static Annuitant, male and female table was used.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2017.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2016. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2016 is 20-30 years.

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>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	7.85%	6.50%	37.75%
US Equity - Mid Cap	8.10%	6.50%	4.49%
US Equity - Small Cap	8.55%	6.50%	3.04%
Non-US Equity	8.10%	6.50%	22.99%
Real Estate (direct property)	5.80%	5.50%	6.20%
Cash	1.55%	1.55%	0.70%
TIPS	3.05%	2.85%	0.00%
Core Bond	3.75%	3.60%	18.37%
High Yield	6.70%	6.30%	<u>6.46%</u>
Total			<u><u>100.00%</u></u>

Discount rate. The discount rate used to determine the total pension liability was 7.00%. The discount rate used for the prior measurement date was 7.00%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2017 to 2112. Benefit payments after 2112 are projected to be \$0.00.

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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

The long-term rate of return of 7.00% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected benefit payments. Otherwise, a municipal bond rate of 3.88% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the measurement date.

The discount rate of 7.00% is the single rate that incorporates the long-term rate of return and municipal bond rate assumptions as described above.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at the beginning of the period	\$ 7,381,655	\$ 6,120,752	\$ 1,260,903
Changes for the year:			
Service cost	183,518	-	183,518
Interest	517,265	-	517,265
Differences between expected and actual experience	(146,902)	-	(146,902)
Changes in assumptions	13,657	-	13,657
Contributions - employer	-	203,002	(203,002)
Net investment income	-	1,056,344	(1,056,344)
Benefit payments, including refunds of employee contributions	(329,325)	(329,325)	-
Change in benefit terms	236,148	-	236,148
Administrative expense	-	(30,263)	30,263
Assets transferred from the hourly plan	-	-	-
Other changes	-	2,819	(2,819)
Net changes	<u>474,361</u>	<u>902,577</u>	<u>(428,216)</u>
Balances at the end of the period	<u>\$ 7,856,016</u>	<u>\$ 7,023,329</u>	<u>\$ 832,687</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Salaried Plan, calculated using the discount rate of 7.00 percent, as well as what the Salaried Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Salaried Plan Net Pension Liability	\$ 1,662,084	\$ 832,687	\$ 130,312

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

For the year ended June 30, 2018, the Salaried Plan recognized pension expense of \$472,200. At June 30, 2018, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to Financial Statements (Continued)

June 30, 2018

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92,058	\$ 251,511
Changes of assumptions	22,614	17,843
Net difference between projected and actual earnings on pension plan investments	-	46,029
	\$ 114,672	\$ 315,383

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

Year ended June 30:	
2019	\$ (72,620)
2020	16,074
2021	(17,373)
2022	(126,792)
2023	
Thereafter	-
Subtotal - all years	\$ (200,711)

Payable to the Pension Plan

At June 30, 2018, the Salaried Plan did not report any payables for outstanding amounts of contributions to the pension plan required for the year ended June 30, 2018.

14. **OTHER POST EMPLOYMENT BENEFITS**

General Information about the OPEB Plan

Plan description. The Authority provides health, life and dental insurance benefits to actives, retirees, their dependents and beneficiaries in accordance with Chapter 32B of Massachusetts General Laws under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state laws and the Authority. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume and pay all claims for specific plans. The Plan does not issue a standalone financial report.

GASB Statement No. 75 requires the following disclosures in the financial statements:

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Notes to Financial Statements (Continued)

June 30, 2018

14. **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Benefits provided. The Authority provides retiree medical, dental and life insurances. Employees are eligible for the retiree medical plan at age 55 and the completion of 10 years of service (if hired before April 2, 2012) or with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of credible service. Retirees shall pay 25% of the premiums in retirement.

The eligibility requirements for the dental and life insurance plans are the same as they are for the medical plan. However, employees will pay 0% of the premiums in retirement for the dental plan and 25% of the premiums in retirement for the life insurance plan.

Employees covered by benefit terms. At June 30, 2017 (the measurement date), the following employees were covered by the benefit terms:

Retired, Disabled, Survivors and Beneficiaries receiving benefits	1
Active plan members	5
Subtotal	6

Contributions. The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. For the 2018 fiscal year, total Authority premiums plus implicit costs for the retiree medical program are \$13,951. The Authority is also made a contribution to the OPEB Trust of \$106,086 for a total contribution of \$120,037.

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Individual Entry Age Normal
Discount Rate:	6.25% per annum (previously 4.00%)
Healthcare Cost Trend Rate:	6.0% beginning in 2013 and decreasing until an ultimate trend rate of 5.0% by 2020.
Participation:	80.0% of future retirees are assumed to participate in the retiree medical plan upon retirement. 100% of future retirees are expected to elect life insurance.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for projected generationally based on Scale BB and a base year 2009 for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results the experience of the plan and reasonable expectations and, in combination, represent the best estimate of the anticipated experience under the plan.

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June 30, 2018

14. ***OTHER POST EMPLOYMENT BENEFITS (Continued)***

The long-term expected rate of return on OPEB 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 OPEB 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 (Average)</u>
Domestic Equity - Large Cap	18.50%	4.00%
Domestic Equity - Small/Mid Cap	18.25%	6.00%
International Equity - Developed Market	12.25%	4.50%
International Equity - Emerging Market	6.00%	7.00%
Domestic Fixed Income	43.00%	2.00%
International Fixed Income	0.00%	3.00%
Alternatives	0.00%	6.50%
Real Estate	0.00%	6.25%
Cash	2.00%	0.00%
Total	100.00%	3.67%

Discount rate. The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements (Continued)

June 30, 2018

14. **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at the beginning of the period (GASB 75)	\$ 234,630	\$ -	\$ 234,630
Changes for the year:			
Service cost	24,539	-	24,539
Interest	16,087	-	16,087
Differences between expected and actual experience	(41,081)	-	(41,081)
Contributions - employer	-	3,609	(3,609)
Benefit payments, including refunds of employee contributions	(3,609)	(3,609)	-
Net changes	(4,064)	-	(4,064)
Balances at the end of the period	<u>\$ 230,566</u>	<u>\$ -</u>	<u>\$ 230,566</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current discount rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability (Asset)	\$ 272,334	\$ 230,566	\$ 196,141

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.0 percent) or 1-percentage-point higher (6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB Liability (Asset)	\$ 180,501	\$ 230,566	\$ 297,540

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in this report on the "Fiduciary Fund" page.

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Notes to Financial Statements (Continued)

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14. ***OTHER POST EMPLOYMENT BENEFITS (Continued)***

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$92,637. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 37,904
	\$ -	\$ 37,904

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

Year ended June 30:	
2019	\$ (3,177)
2020	(3,177)
2021	(3,177)
2022	(3,177)
2023	(3,177)
Thereafter	(22,019)
Subtotal - all years	\$ (37,904)

Payable to the OPEB Plan

At June 30, 2018, the Authority reported a payable of \$19,650 for the outstanding amount of contributions to the OPEB Trust required for the year ended June 30, 2018.

15. ***DEFERRED COMPENSATION PLAN***

Certain employees of the Authority are eligible to contribute to a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code. Under this plan, the Authority withholds the amount of compensation mutually agreed upon with each participant up to a prescribed limit outlined in the plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights shall be held in one or more annuity contracts, issued by an insurance company qualified to do business in the state where the contract was issued, for the exclusive benefit of participants and beneficiaries under the plan. The Authority disclaims any and all rights with respect to entitlement to proceeds of any plan as set and deems them reserved solely for the benefit of participants under the terms of the plan.

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Notes to Financial Statements (Continued)

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16. ***RISK MANAGEMENT***

In conjunction with its normal operations, the Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of property and injuries to employees. The Authority purchases commercial insurance from independent third parties to cover these risks. There have been no claims that have exceeded insurance coverage.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amounts can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The estimated liability for all self-insured losses incurred but not reported is not material at June 30, 2018.

17. ***LEGAL AND OTHER***

The Authority is involved in numerous lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority's financial position.

18. ***COMMITMENTS***

On May 30, 2012 the Southeastern Regional Transit Authority signed an agreement with Goodyear Tire & Rubber Company through May 31, 2017. A new agreement was signed for the period of June 1, 2017 through July 31, 2022. This agreement is to lease the Authority the number of tires sufficient to keep all of Southeastern Regional Transit Authority's vehicles fully equipped and to provide an adequate reserve supply.

The Authority agrees to furnish to Goodyear by the 15th day of each month a record of the daily revenue and non-revenue vehicle miles. The amount of monthly payments is computed by using the applicable billing rate per tire mile in effect during the preceding month.

19. ***ECONOMIC DEPENDENCY***

The Authority received a substantial amount of its' support from federal and state governments. A significant reduction of this support, if this were to occur, may have an effect on operations.

20. ***TRANSIT SERVICE***

The operation of the Authority's fixed route service and maintenance of the Authority's transportation property are performed by First Transit under the terms of an agreement whereby First Transit operates mass transit along such routes and according to such a schedule as defined by the Authority. First Transit uses South Coast Transit Management, Inc. (SCTM), a wholly owned subsidiary, for the performance of the actual fixed route and ADA paratransit operations. In return, the Authority agrees to pay First Transit a management fee and to reimburse SCTM for all costs and expenses which are reasonable and necessary for the efficient operation of the service.

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Notes to Financial Statements (Continued)

June 30, 2018

21. ***SUBSEQUENT EVENTS***

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2018, and through October 15, 2018, the date on which the financial statements were available to be issued.

On August 11 2018, the Massachusetts Department of Transportation signed the 2019 fiscal year's contract assistance in the amount of \$5,766,016 of which half the amount (\$2,883,008) was received by the Authority on August 21, 2018.

The Authority opened a revolving line of credit dated July 5, 2018 in the amount of \$750,000, with an interest rate of 5% to cover short-term cash needs while State contracts were in process of being executed. The principal on the line of credit was paid back in full on August 22, 2018, once contract assistance was received from the State.

The Authority issued a Revenue Anticipation Note (RAN) dated August 24, 2018 in the amount of \$4,250,000, with an interest rate of 2.5%. The due date of the RAN is August 23, 2019 and is to be used to fund operating expenses.

22. ***FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS***

The GASB has issued the following statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management does not believe the implementation of this Statement will materially impact the financial statements.
- GASB Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented during fiscal year 2019. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

These pronouncements will be implemented by their respective implementation dates.

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Notes to Financial Statements (Continued)

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23. **810 CMR 53.03(2) DISCLOSURE**

The Administrator (CEO), date of hire November 30, 2011, compensation for fiscal year 2018 was \$111,343. The CEO was paid \$2,141 for one week of unused vacation time buyback as per the Authority's personnel policies. The CEO receives a family health insurance plan and contributes 25% of the cost of the premium.

The Deputy Administrator & CFO, date of hire October 5, 2011, compensation for fiscal year 2018 was \$97,961. The Deputy Administrator & CFO was paid \$1,883 for one week of unused vacation time buyback as per the Authority's personnel policies. The Deputy Administrator & CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

Advisory Board members and officers do not receive compensation.

24. **RESTATEMENT NOTE**

During the current fiscal year, it was necessary to restate beginning fund balance:

Net position, beginning of year	\$ 22,090,434
To restate beginning net position to implement GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	<u>(220,294)</u>
Net position, beginning of year, restated	<u>\$ 21,870,140</u>

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability –
New Bedford Contributory Retirement

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.4995%	0.4609%	0.4954%	0.4300%
Authority's proportionate share of the net pension liability (asset)	\$ 1,872,431	\$ 1,619,608	\$ 1,652,859	\$ 1,435,210
Authority's covered employee payroll	\$ 412,299	\$ 466,665	\$ 425,766	\$ 394,711
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	454.14%	347.06%	388.21%	363.61%
Plan fiduciary net position as a percentage of the total pension liability	47.29%	46.29%	44.37%	46.00%

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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Required Supplementary Information

Schedule of Employer Contributions –
New Bedford Contributory Retirement

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's contractually required contribution	\$ 160,188	\$ 147,741	\$ 147,741	\$ 121,415
Authority's contributions in relation to the contractually required contribution	<u>\$ 160,188</u>	<u>\$ 147,741</u>	<u>\$ 147,741</u>	<u>\$ 121,415</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 412,299	\$ 466,665	\$ 425,766	\$ 394,711
Contributions as a percentage of covered-employee payroll	38.85%	31.66%	34.70%	30.76%

Notes to Schedule

Valuation Date:

The January 1, 2018 actuarial valuation were used, in accordance with the parameters of GASB Statement No. 68, to December 31, 2017, the measurement date.

Methods and assumptions used to determine contribution rates:

Contribution rates are recommended by the System's independent actuary and are approved by PERAC in order to comply with the applicable funding statute (MGL Chapter 32 Section 22F)

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios – Hourly Plan

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 666,967	\$ 499,413	\$ 478,461	\$ 428,907
Interest	1,397,531	1,405,327	1,342,457	1,274,483
Differences between expected and actual experience	(720,682)	(110,703)	(14,150)	147,415
Changes in assumptions	(2,036,526)	2,125,310	129,136	37,856
Changes in benefit terms	130,984	-	-	-
Benefit payments, including refunds of employee contributions	<u>(1,136,275)</u>	<u>(1,114,642)</u>	<u>(1,040,049)</u>	<u>(852,624)</u>
Net change in total pension liability	(1,698,001)	2,804,705	895,855	1,036,037
Total pension liability - beginning	\$ 22,956,200	20,151,495	19,255,640	18,219,603
Total pension liability - ending (a)	<u>\$ 21,258,199</u>	<u>\$ 22,956,200</u>	<u>\$ 20,151,495</u>	<u>\$ 19,255,640</u>
Plan fiduciary net position				
Contributions - employer	\$ 658,392	\$ 783,617	\$ 817,454	\$ 940,181
Other contributions ⁽¹⁾	(2,819)	(159,760)	-	-
Net investment income	2,792,716	(848,314)	45,708	2,679,160
Benefit payments, including refunds of employee contributions	(1,136,275)	(1,114,642)	(1,040,049)	(852,624)
Administrative expense	<u>(10,972)</u>	<u>(26,662)</u>	<u>(16,424)</u>	<u>(10,722)</u>
Net change in plan fiduciary net position	2,301,042	(1,365,761)	(193,311)	2,755,995
Plan fiduciary net position - beginning	16,345,688	17,711,449	17,904,760	15,148,765
Plan fiduciary net position - ending (b)	<u>\$ 18,646,730</u>	<u>\$ 16,345,688</u>	<u>\$ 17,711,449</u>	<u>\$ 17,904,760</u>
Hourly Plan's net pension liability - ending (a) - (b)	<u>\$ 2,611,469</u>	<u>\$ 6,610,512</u>	<u>\$ 2,440,046</u>	<u>\$ 1,350,880</u>
Plan fiduciary net position as a percentage of the total pension liability	87.72%	71.20%	87.89%	92.98%
Covered-employee payroll	\$ 5,990,897	\$ 5,989,703	\$ 5,654,202	\$ 5,545,429
Hourly Plan's net pension liability as a percentage of covered employee payroll	43.59%	110.36%	43.15%	24.36%

⁽¹⁾ A transfer of assets and liabilities was made for participants who moved from a bargained to a salaried status under the normal operation of the plan.

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios – Salaried Plan

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 183,518	\$ 144,110	\$ 158,780	\$ 147,089
Interest	517,265	484,292	479,405	468,215
Differences between expected and actual experience	(146,902)	156,886	(185,781)	(170,036)
Changes in assumptions	13,657	13,315	(42,284)	12,347
Change in benefit terms	236,148	-	-	-
Benefit payments, including refunds of employee contributions	<u>(329,325)</u>	<u>(365,720)</u>	<u>(320,244)</u>	<u>(292,084)</u>
Net change in total pension liability	474,361	432,883	89,876	165,531
Total pension liability - beginning	<u>\$ 7,381,655</u>	<u>\$ 6,948,772</u>	<u>6,858,896</u>	<u>6,693,365</u>
Total pension liability - ending (a)	<u><u>\$ 7,856,016</u></u>	<u><u>\$ 7,381,655</u></u>	<u><u>\$ 6,948,772</u></u>	<u><u>\$ 6,858,896</u></u>
Plan fiduciary net position				
Contributions - employer	\$ 203,002	\$ 237,824	\$ 259,296	\$ 201,848
Other contributions ⁽¹⁾	-	159,760	-	-
Contributions - employee	-	-	-	-
Net investment income	1,056,344	(209,692)	38,093	836,221
Benefit payments, including refunds of employee contributions	(329,325)	(365,720)	(320,244)	(292,084)
Administrative expense	(30,263)	(43,263)	(30,013)	(22,092)
Other	<u>2,819</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	902,577	(221,091)	(52,868)	723,893
Plan fiduciary net position - beginning	<u>6,120,752</u>	<u>6,341,843</u>	<u>6,394,711</u>	<u>5,670,818</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 7,023,329</u></u>	<u><u>\$ 6,120,752</u></u>	<u><u>\$ 6,341,843</u></u>	<u><u>\$ 6,394,711</u></u>
Salaried Plan's net pension liability - ending (a) - (b)	<u><u>\$ 832,687</u></u>	<u><u>\$ 1,260,903</u></u>	<u><u>\$ 606,929</u></u>	<u><u>\$ 464,185</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.40%	82.92%	91.27%	93.23%
Covered-employee payroll	\$ 1,284,184	\$ 1,451,933	\$ 1,272,201	\$ 1,301,056
Salaried Plan's net pension liability as a percentage of covered employee payroll	64.84%	86.84%	47.71%	35.68%

⁽¹⁾ A transfer of assets and liabilities was made for participants who moved from a bargained to a salaried status under the normal operation of the plan.

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information

Schedule of Contributions – Hourly Plan

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 886,046	\$ 790,070	\$ 783,617	\$ 817,454
Contributions in relation to the actuarially determined contribution	<u>658,392</u>	<u>783,617</u>	<u>817,454</u>	<u>940,181</u>
Contribution deficiency (excess)	<u>\$ 227,654</u>	<u>\$ 6,453</u>	<u>\$ (33,837)</u>	<u>\$ (122,727)</u>
Covered-employee payroll	\$ 5,990,897	\$ 5,989,703	\$ 5,654,202	\$ 5,545,429
Contributions as a percentage of covered-employee payroll	10.99%	13.08%	14.46%	16.95%

Notes to Schedule

Valuation Date:

A measurement date of June 30, 2017 has been used for the fiscal year ending June 30, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Cost Method, level percent of pay
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.00% long-term
Salary Increases	4.50% increase each year until retirement
Investment Rate of Return	7.00% (weighted average rate)
Retirement Age	Active and inactive participants are assumed to retire at normal retirement age, or current age if later, as defined in the Summary of Plan Provisions.
Mortality	2017 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, before and during benefit payment period

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Schedule of Contributions – Salaried Plan

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 363,075	\$ 243,602	\$ 237,824	\$ 259,296
Contributions in relation to the actuarially determined contribution	<u>203,002</u>	<u>237,824</u>	<u>259,296</u>	<u>201,848</u>
Contribution deficiency (excess)	<u>\$ 160,073</u>	<u>\$ 5,778</u>	<u>\$ (21,472)</u>	<u>\$ 57,448</u>
Covered-employee payroll	\$ 1,284,184	\$ 1,451,933	\$ 1,272,201	\$ 1,301,056
Contributions as a percentage of covered-employee payroll	15.81%	16.38%	20.38%	15.51%

Notes to Schedule

Valuation Date:

A measurement date of June 30, 2017 has been used for the fiscal year ending June 30, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Cost Method, level percent of pay
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.00% long-term
Salary Increases	4.00% increase each year until retirement
Investment Rate of Return	7.00% (weighted average rate)
Retirement Age	Active and inactive participants are assumed to retire at normal retirement age, or current age if later.
Mortality	2017 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, during benefit payment period
	2017 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, before benefit payment period

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios

For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 24,539
Interest on liability and service cost	16,087
Differences between expected and actual experience	(41,081)
Benefit payments, including refunds of employee contributions	(3,609)
Net change in total OPEB liability	(4,064)
Total OPEB liability - beginning	\$ 234,630
Total OPEB liability - ending (a)	\$ 230,566
Plan fiduciary net position	
Contributions - employer	\$ 3,609
Benefit payments, including refunds of employee contributions	(3,609)
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
Authority's net OPEB liability - ending (a) - (b)	\$ 230,566
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered-employee payroll	\$ 465,940
Authority's net OPEB liability as a percentage of covered employee payroll	49.48%

** - Per GASB Statement No. 75, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 75.

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Schedule of the Authority's Contributions

For the Year Ended June 30, 2018

	<u>2018</u>
Actuarially determined contribution	\$ 34,843
Contributions in relation to the actuarially determined contribution	<u>\$ 120,037</u>
Contribution deficiency (excess)	<u>\$ (85,194)</u>
Covered-employee payroll	\$ 465,940
Contributions as a percentage of covered-employee payroll	25.76%

** - Per GASB Statement No. 75, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 75.

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Statement of Revenues and Expenses - Budget and Actual

For the Year Ended June 30, 2018

	Budget As Adopted	Appropriations and Transfers	Total Available	Actual	Variance Favorable (Unfavorable)
Revenues:					
Cash Fares:					
Farebox revenue - fixed route	\$ 2,260,000	\$ (30,097)	\$ 2,229,903	\$ 2,211,322	\$ (18,581)
Farebox revenue - paratransit	140,000	24,434	164,434	167,645	3,211
Auxiliary revenue	218,550	50,686	269,236	268,585	(651)
Total revenues	2,618,550	45,023	2,663,573	2,647,552	(16,021)
Expenses:					
Operating/Cost of Service:					
Fixed Route	11,757,737	(301,737)	11,456,000	11,403,379	52,621
Paratransit	2,758,891	(260,601)	2,498,290	2,479,900	18,390
Intermodal Centers	752,882	(169,900)	582,982	613,403	(30,421)
Fuel	800,000	84,730	884,730	924,788	(40,058)
Insurance	812,475	(1,810)	810,665	811,184	(519)
Management fees	463,954	(6,655)	457,299	457,299	-
SRTA administration	1,104,480	(25,767)	1,078,713	1,030,874	47,839
Total expenses	18,450,419	(681,740)	17,768,679	17,720,827	47,852
Other financing sources (uses):					
Transfer to Reserve Fund	-	-	-	(30,797)	(30,797)
Net Cost of Service:					
Federal Grants	6,857,735	(614,256)	6,243,479	6,242,447	(1,032)
State Assistance	5,766,016	(112,507)	5,653,509	5,653,507	(2)
Local Assessments	3,208,118	-	3,208,118	3,208,118	-
Total other financing sources (uses):	15,831,869	(726,763)	15,105,106	15,073,275	(31,831)
Excess (deficiency) of revenues and other financing sources over expenses and other financing uses					
	\$ -	\$ -	\$ -	-	\$ -
Budgetary retained earnings at the beginning of year				\$ -	
Budgetary retained earnings at the end of year				\$ -	

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Notes to the Statement of Revenues and Expenses - Budgetary Basis

For the Year Ended June 30, 2018

The accompanying Statement of Revenues and Expenses - Budget and Actual presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis do not differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective and entity differences in the excess (deficiency) of revenues over expenses for the year ended June 30, 2018 are as follows:

Increase (decrease) in net position - GAAP basis	\$ (479,015)
Capital grants and contributions	(2,930,995)
Depreciation	2,897,121
Pension expense (GAAP only)	543,687
Transfer to extraordinary repairs reserve	(30,797)
Rounding and other adjustments	(1)
Increase (decrease) in net position - Budget basis	<u><u>\$ -</u></u>

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Statement of Revenue and Cost of Service

For the Year Ended June 30, 2018

Transportation revenue	<u>\$ 2,378,967</u>
Operating expenses:	
Fixed route	11,403,379
Paratransit	2,479,900
Intermodal centers	613,403
Amortization of grants	2,897,121
Fuel	924,788
Insurance	811,184
SRTA administration	1,030,874
Management fees	<u>457,299</u>
Total operating expenses	<u>20,617,948</u>
Net operating loss	(18,238,981)
Other income (expenses):	
Transfer to extraordinary reserve	(30,797)
Interest income	5,346
Auxiliary income	<u>263,239</u>
Cost of service in excess of revenue	<u>\$ (18,001,193)</u>

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SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Statement of Unreimbursed Cost of Service

For the Year Ended June 30, 2018

Balance at beginning of year	<u>\$ -</u>
Cost of service in excess of revenue	<u>(18,001,193)</u>
Add:	
Net cost of service reimbursable by the Commonwealth of Massachusetts, a portion of which is to be assessed to the cities and towns served by the Authority:	
Commonwealth of Massachusetts - State Contract Assistance	5,653,509
Local assessments	3,208,118
Federal operating assistance pursuant to Section 9 of the Urban Mass Transportation Act of 1964	6,242,447
Rounding differences	<u>(2)</u>
Total operating net cost of service reimbursements	15,104,072
Amortization of grants	<u>2,897,121</u>
Total subsidy	<u>18,001,193</u>
Balance at end of year	<u><u>\$ -</u></u>

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