

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

Basic Financial Statements, Supplementary Data
For the Year Ended June 30, 2014

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

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NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2014

The management of the Nantucket Regional Transit Authority (the Authority) has generated this narrative overview and analysis to assist our readers in understanding the Authority's basic financial statements.

Financial Highlights

- * The assets of the Authority exceeded its liabilities at June 30, 2014 by \$3,876,000.
- * The Authority's total net position increased by \$681,000 during the current year.
- * The total operating revenue increased from \$391,000 in fiscal year 2013 to \$407,000 in fiscal year 2014, a \$16,000 increase.
- * The operating expenses increased from \$2,069,000 in fiscal year 2013 to \$2,251,000 in fiscal year 2014, an \$182,000 increase.
- * The Authority expended \$177,000 for capital assets. Of this amount, \$139,000 was expended for buses, vans, and related equipment. These acquisitions were funded by capital grants from the Massachusetts Department of Transportation (MassDOT).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and the Notes to the Financial Statements.

The statement of net position presents information on all of the Authority's assets and outflows of resources and liabilities and inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the assets changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables or unpaid accounts payable).

The statement of cash flows indicates the sources of the Authority's cash inflows and the uses of its cash outflows.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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FOR THE YEAR ENDED JUNE 30, 2014

Financial Position Analysis

The following is a condensed statement of net position. It also indicates percentage changes in the Authority's assets, liabilities and net position.

Statement of Net Position
(000 omitted)

| | 2014 | 2013 | Percentage Change |
|----------------------------|-----------------|-----------------|----------------------|
| Current assets | \$ 1,913 | \$ 2,152 | -11% |
| Capital assets, net | 2,586 | 2,884 | -10% |
| Other noncurrent assets | 383 | 228 | 68% |
| Total assets | <u>4,882</u> | <u>5,264</u> | <u>-7%</u> |
| Noncurrent liabilities | 726 | 1,885 | -61% |
| Current liabilities | 280 | 184 | 52% |
| Total liabilities | <u>1,006</u> | <u>2,069</u> | <u>-51%</u> |
| Net position | | | |
| Invested in capital assets | 2,586 | 2,884 | -10% |
| Restricted | 257 | 151 | 70% |
| Unrestricted | 1,033 | 160 | 546% |
| Total net position | <u>\$ 3,876</u> | <u>\$ 3,195</u> | <u>21%</u> |

Net position may serve over time as a useful indicator of an Authority's financial position. In the case of the Authority, assets exceeded liabilities by \$3,876,000 at the close of the fiscal year.

By far the largest portion of the Authority's net position \$2,586,000 (67 percent) reflects its investment in capital assets (e.g., Buses and vans, equipment and leasehold improvement - building). The Authority uses these capital assets to provide transportation services to the general public; consequently, these assets are not available for future spending.

An additional portion of the Authority's net position \$257,000 (7 percent) represents resources that are subject to external restrictions on how they may be used. The bulk of the restricted net position (4% of total net position) represents the reserve for extraordinary expense and the stabilization fund.

The remaining balance of unrestricted net position, \$1,033,000 (26%), may be used to meet the Authority's ongoing obligations to creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in all three categories of net position.

The Authority's net position increased by \$681,000 during the current fiscal year.

The Authority's total debt decreased by \$1,063,000 (51%) during the current year. This decrease was caused primarily by a decrease in Revenue Anticipation notes of \$1,208,000 and a net increase of \$145,000 in accounts payable, accrued expense and unearned revenue.

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FOR THE YEAR ENDED JUNE 30, 2014

Operations Analysis

The following is the Authority's statement of revenues, expenses and changes in net position. It also indicates percentage changes in the various accounts.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(000 omitted)

| | <u>2014</u> | <u>2013</u> | <u>Percentage Change</u> |
|---|-----------------|-----------------|------------------------------|
| Operating revenues | | | |
| Transportation services | \$ 407 | \$ 391 | 4% |
| Operating expenses | | | |
| Cost of services, maintenance and administration | 1,785 | 1,625 | 10% |
| Depreciation | 466 | 444 | 5% |
| | <u>2,251</u> | <u>2,069</u> | <u>9%</u> |
| Operating loss | <u>(1,844)</u> | <u>(1,678)</u> | <u>10%</u> |
| Nonoperating revenues and (expenses) | | | |
| Operating assistance | 2,345 | 1,252 | 87% |
| Other nonoperating | 3 | (25) | -112% |
| | <u>2,348</u> | <u>1,227</u> | <u>91%</u> |
| Income (loss) before capital contributions | <u>504</u> | <u>(451)</u> | <u>-212%</u> |
| Capital contributions | 177 | 970 | -82% |
| | <u>177</u> | <u>970</u> | <u>-82%</u> |
| Increase in net position | 681 | 519 | 31% |
| Net position | | | |
| Beginning of year | 3,195 | 2,676 | 19% |
| End of year | <u>\$ 3,876</u> | <u>\$ 3,195</u> | <u>21%</u> |

The Authority's operating loss increased by \$166,000 from the prior year.

Operating revenues increased \$16,000 (4%).

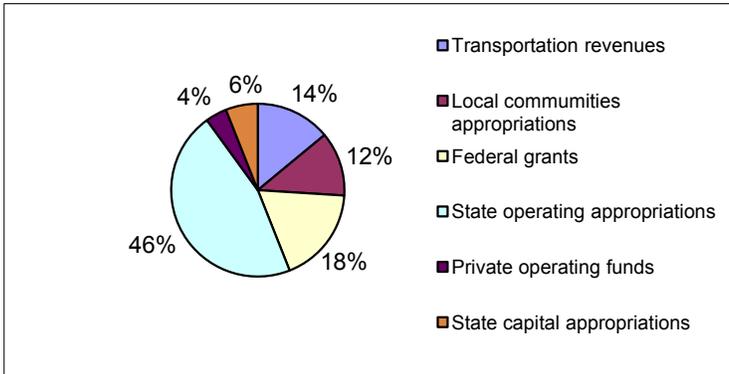
Operating expenses increased by \$182,000 (9%).

There was an increase in the "increase in net position" of \$162,000, due to an increased operating loss of \$166,000, an increase in nonoperating revenue of \$1,121,000 and a decrease in capital assistance of \$793,000.

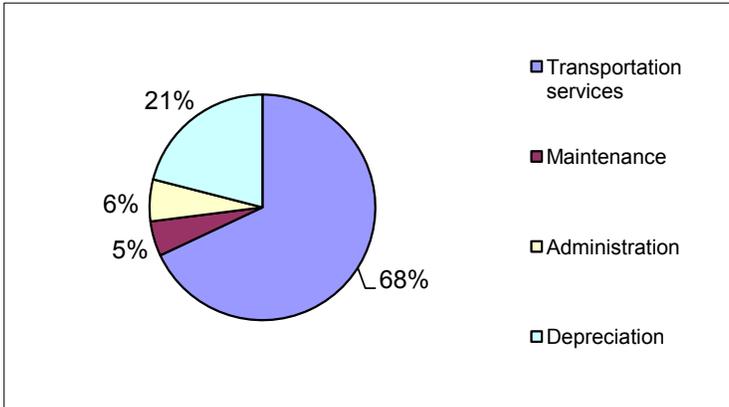
NANTUCKET REGIONAL TRANSIT AUTHORITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
 FOR THE YEAR ENDED JUNE 30, 2014

The revenues and expenses by source are delineated in the following graphs:

Revenues by source:



Expenses by source:



Financial Ratios

"Working Capital" is the amount by which current assets exceed current liabilities. The Current Ratio, which compares current assets to current liabilities, is an indicator of the ability to pay current obligations.

| | <u>2014</u> | <u>2013</u> |
|-----------------|--------------|--------------|
| Working Capital | \$ 1,633,000 | \$ 1,968,000 |
| Current ratio | 6.8:1 | 12:1 |

The working capital and current ratio indicate that the Authority has an excellent ability to meet current obligations.

"Liabilities to Net Position" indicates the extent of borrowing.

| | <u>2014</u> | <u>2013</u> |
|---------------------------|-------------|-------------|
| Liabilities to net assets | 26% | 65% |

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Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2014 amounted to \$2,586,000, net of depreciation. The investment in capital assets includes Building and structures, vehicles, equipment and intangible assets. The total net decrease in capital assets for the current year was \$298,000 or a 10% decrease.

During the current year, the most significant capital asset event was the acquisition of rolling stock in the amount of \$139,000.

Capital assets at year-end net of depreciation
(000 omitted)

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-----------------|-----------------|
| Building and structures | \$ 718 | \$ 683 |
| Vehicles | 4,409 | 4,713 |
| Equipment | 373 | 409 |
| Intangible assets | 18 | 18 |
| | 5,518 | 5,823 |
| Less accumulated depreciation | (2,932) | (2,939) |
| | <u>\$ 2,586</u> | <u>\$ 2,884</u> |

Revenue Anticipation Notes

The Authority had revenue anticipation notes of \$600,000 and \$1,808,000 at the end of 2014 and 2013, respectively.

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily (55%) on operating assistance from MassDOT and 45% by assessments to the member community. In the past, operating assistance was funded a year in arrears by the State for years prior to fiscal year 2014. Presently, the Authority's operating assistance from MassDOT and the member community is on a concurrent basis.

Demand for the Authority's services is mainly affected by the overall economy, seasonality and weather conditions.

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

| | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-----------------|-------------|-------------|-------------|
| Farebox revenue | \$ 374,000 | \$ 384,000 | \$ 401,000 |
| Other revenue | 10,000 | 7,000 | 6,000 |

NANTUCKET REGIONAL TRANSIT AUTHORITY
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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 Paula Leary, Administrator, Nantucket Regional Transit Authority, 3 E. Chestnut Street, Nantucket, MA 02554.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

The Advisory Board
Nantucket Regional Transit Authority

We have audited the accompanying financial statements of the Nantucket Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the 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 the 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 of material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi and the schedule of funding progress on page 19 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, included in the accompanying schedules on pages 20 through 22, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These

supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2014 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.

August 13, 2014

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

Statement of Net Position

June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 826,281 | \$ 573,693 |
| Receivable for operating assistance | 947,190 | 1,429,303 |
| Other current assets | 139,640 | 149,034 |
| Total current assets | <u>1,913,111</u> | <u>2,152,030</u> |
| Noncurrent assets | | |
| Restricted assets | | |
| Cash and cash equivalents | 260,899 | 222,197 |
| Receivable capital assistance | 121,546 | 6,380 |
| Total restricted assets | <u>382,445</u> | <u>228,577</u> |
| Receivable for operating assistance | | |
| Capital assets, net | <u>2,586,352</u> | <u>2,883,633</u> |
| Total noncurrent assets | <u>2,968,797</u> | <u>3,112,210</u> |
| Total assets | <u>4,881,908</u> | <u>5,264,240</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued expense | 154,883 | 172,912 |
| Unearned revenue | 124,922 | 11,261 |
| Total current liabilities | <u>279,805</u> | <u>184,173</u> |
| Noncurrent liabilities | | |
| Liabilities payable from restricted assets | | |
| Accounts payable and accrued expense | 24,746 | |
| Other postemployment benefits | 101,192 | 77,492 |
| Revenue anticipation notes | 600,000 | 1,807,893 |
| Total noncurrent liabilities | <u>725,938</u> | <u>1,885,385</u> |
| Total liabilities | <u>1,005,743</u> | <u>2,069,558</u> |
| NET POSITION | | |
| Invested in capital assets | 2,586,352 | 2,883,633 |
| Restricted | 256,507 | 151,085 |
| Unrestricted | 1,033,306 | 159,964 |
| Total net position | <u>\$ 3,876,165</u> | <u>\$ 3,194,682</u> |

See accompanying notes to financial statements

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

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| Operating revenues | | |
| Transportation services | \$ 406,780 | \$ 391,536 |
| Operating expenses | | |
| Transportation service | 1,540,766 | 1,391,333 |
| Maintenance | 120,474 | 114,792 |
| General and administration | 124,213 | 119,498 |
| | 1,785,453 | 1,625,623 |
| Depreciation expense | 465,515 | 444,153 |
| | 2,250,968 | 2,069,776 |
| Operating loss | (1,844,188) | (1,678,240) |
| Nonoperating revenues and (expenses) | | |
| Operating assistance grants | | |
| Federal | 531,803 | 512,619 |
| Commonwealth of Massachusetts | 1,363,068 | 394,651 |
| Local | 346,532 | 338,080 |
| Private Funding | 103,745 | 7,006 |
| Interest expense | (6,411) | (12,679) |
| Gain (loss) on disposal of equipment | 9,910 | (12,434) |
| | 2,348,647 | 1,227,243 |
| Income (loss) before capital grants | 504,459 | (450,997) |
| Capital grants | | |
| Commonwealth of Massachusetts capital assistance grants | 177,024 | 206,000 |
| Federal | | 763,602 |
| | 177,024 | 969,602 |
| Increase in net position | 681,483 | 518,605 |
| Net position, beginning of year | 3,194,682 | 2,676,077 |
| Net position, end of year | \$ 3,876,165 | \$ 3,194,682 |

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

Statement of Cash Flows

Year Ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-----------------------|
| Cash flows from operating activities | | |
| Transportation services | \$ 406,880 | \$ 391,536 |
| Payments to vendors and suppliers | (1,545,833) | (1,349,815) |
| Payments to employees | (169,649) | (166,821) |
| Payments of fringe | <u>(54,531)</u> | <u>(50,134)</u> |
| Net cash used in operations | <u>(1,363,133)</u> | <u>(1,175,234)</u> |
| Cash flows from noncapital financing activities | | |
| Proceeds from revenue anticipation notes | 600,000 | 1,808,095 |
| Repayment of revenue anticipation notes | (1,800,000) | (2,100,000) |
| Operating assistance grants | 2,723,516 | 1,676,463 |
| Private funding | 217,406 | 16,819 |
| Interest on notes | <u>(17,950)</u> | <u>(26,177)</u> |
| Net cash provided by noncapital financing activities | <u>1,722,972</u> | <u>1,375,200</u> |
| Cash flows from capital and related financing activities | | |
| Acquisition of capital assets | (152,278) | (1,149,070) |
| Proceeds from sale of capital assets | 18,700 | |
| Capital contributions | | |
| United States Department of Transportation | 5,192 | 762,858 |
| Massachusetts Department of Transportation capital appropriations | <u>56,566</u> | <u>398,757</u> |
| Net cash (used in) provided by capital and related financing activities | <u>(71,820)</u> | <u>12,545</u> |
| Cash flows from investing activities | | |
| Interest income | <u>3,271</u> | <u>2,883</u> |
| Net cash provided by investing activities | <u>3,271</u> | <u>2,883</u> |
| Net increase (decrease) in cash and cash equivalents | 291,290 | 215,394 |
| Cash and cash equivalents at beginning of year | <u>795,890</u> | <u>580,496</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,087,180</u> | <u>\$ 795,890</u> |
| Reconciliation of operating loss to net cash provided by operations | | |
| Operating loss | \$ (1,844,188) | \$ (1,678,240) |
| Adjustments to reconcile the operating loss to net cash used in operating activities: | | |
| Depreciation expense | 465,515 | 444,153 |
| Other | 100 | |
| Changes in assets and liabilities: | | |
| Other assets | 9,394 | (1,436) |
| Accounts payable and accrued expense | <u>6,046</u> | <u>60,289</u> |
| Net cash used in operations | <u>\$ (1,363,133)</u> | <u>\$ (1,175,234)</u> |
| Supplemental disclosures of noncash transactions | | |
| At June 30, 2014 and 2013, the Authority had capital expenditures that were included in accounts payable | <u>\$ 24,746</u> | <u>\$</u> |

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

1. The Reporting Entity

The Nantucket Regional Transit Authority (the Authority) is a component unit of the Massachusetts Department of Transportation (MassDOT) and MassDOT is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Authority was established as a political subdivision of the Commonwealth on April 15, 1986, by the Town of Nantucket, the sole member community of the Authority. This was done pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service. The Authority does not have any stockholders or equity holders.

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

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

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

2. Summary of Significant Accounting Policies

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

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

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

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

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

b) Adoption of New Accounting Pronouncements – In March, 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this standard did not have a material impact on the Authority's financial statements.

In March, 2012, the GASB issued GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The adoption of this standard did not have a material impact on the Authority's financial statements.

In May, 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The adoption of this statement did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2014 and are applicable to the Authority. The Authority has not yet adopted these statements, and the implication on the Authority's fiscal practices and financial reports is being evaluated.

| <u>Statement No.</u> | | <u>Adoption Required in Fiscal Year</u> |
|--------------------------|---|---|
| 68 | <i>Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27</i> | 2015 |
| 69 | <i>Government Combinations and Disposals of Government Operations</i> | 2015 |
| 71 | <i>Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68</i> | 2015 |

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

g) Net Position - Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. The categories of reporting net position are (1) amounts invested in capital assets – net of related debt, (2) amounts that are legally or statutorily restricted as to their use – net of related debt, and (3) amounts that are unrestricted.

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

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

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

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

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

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

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

3. Cash and Cash Equivalents

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

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

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|-------------|
| Balance per banks | \$ 1,120,602 | \$ 823,085 |
| Deposits covered by: | | |
| Federal Depository Insurance Corporation | (250,000) | (250,000) |
| Collateralized with pledged securities | | (573,085) |
| Massachusetts Depositors Insurance Fund | <u>(870,602)</u> | |
| Total uninsured and uncollateralized deposits | <u>\$ -</u> | <u>\$ -</u> |

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

3. Cash and Cash Equivalents (continued)

Cash and cash equivalents reported in the accompanying statement of net position as of June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|---|--------------|-------------|
| Current asset - cash and cash equivalents | \$ 826,281 | \$ 573,693 |
| Restricted assets - cash and cash equivalents | 260,899 | 222,197 |
| | \$ 1,087,180 | \$ 795,890 |

4. Grants

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

5. Receivable for Operating and Capital Assistance

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

| | <u>2014</u> | <u>2013</u> |
|--|-------------|--------------|
| <u>Current</u> | | |
| Operating assistance | | |
| Commonwealth of Massachusetts | | |
| Operating appropriations | \$ - | \$ 421,231 |
| United States Department of Transportation - | | |
| Pass-through grants through the Commonwealth | | |
| Operating grants | | |
| Rural area assistance | 531,803 | 556,422 |
| Local operating assistance to be billed to | | |
| the Towns constituting the Authority and | | |
| paid by the Commonwealth to the Authority | 415,387 | 451,650 |
| Total operating assistance | \$ 947,190 | \$ 1,429,303 |
| <u>Noncurrent</u> | | |
| Capital assistance | | |
| Commonwealth of Massachusetts | \$ 121,546 | \$ 1,088 |
| Pass-through grant through the Commonwealth | | |
| American Recovery and Reinvestment Act | | 5,292 |
| Total capital assistance | \$ 121,546 | \$ 6,380 |

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

6. Other Current Assets

The other current asset balance includes a motor vehicle parts and fuel inventory for 2014 and 2013 of approximately \$8,000 and \$11,000, respectively. This inventory is stated at the lower of cost or market on a first-in, first-out basis.

7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-----------------|---------------------|
| Depreciable capital assets | | | | |
| Building and structures | \$ 683,621 | \$ 33,989 | \$ - | \$ 717,610 |
| Vehicles | 4,712,778 | 139,051 | 442,397 | 4,409,432 |
| Equipment | 408,921 | 3,984 | 39,691 | 373,214 |
| Intangible asset | 17,800 | | | 17,800 |
| Subtotal | <u>5,823,120</u> | <u>177,024</u> | <u>482,088</u> | <u>5,518,056</u> |
| Accumulated depreciation | <u>2,939,487</u> | <u>465,515</u> | <u>473,298</u> | <u>2,931,704</u> |
| Net depreciable and net capital assets | <u>\$ 2,883,633</u> | <u>\$ (288,491)</u> | <u>\$ 8,790</u> | <u>\$ 2,586,352</u> |

The capital asset activity for the year ended June 30, 2013 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|------------------|---------------------|
| Depreciable capital assets | | | | |
| Building and structures | \$ 684,797 | \$ 4,393 | \$ 5,569 | \$ 683,621 |
| Vehicles | 3,944,650 | 944,478 | 176,350 | 4,712,778 |
| Equipment | 439,978 | 20,731 | 51,788 | 408,921 |
| Intangible asset | 17,800 | | | 17,800 |
| Subtotal | <u>5,087,225</u> | <u>969,602</u> | <u>233,707</u> | <u>5,823,120</u> |
| Accumulated depreciation | <u>2,716,607</u> | <u>444,153</u> | <u>221,273</u> | <u>2,939,487</u> |
| Net depreciable and net capital assets | <u>\$ 2,370,618</u> | <u>\$ 525,449</u> | <u>\$ 12,434</u> | <u>\$ 2,883,633</u> |

Depreciation expense for 2014 and 2013 was \$465,515 and \$444,153, respectively.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

8. Accounts Payable and Accrued Expense

The accounts payable and accrued expense balance is disaggregated as follows:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------------|-------------------|
| Payable to general vendors | \$ 137,551 | \$ 161,474 |
| Accrued salaries and benefits | 17,332 | 10,987 |
| Accrued other | | 451 |
| | <u>\$ 154,883</u> | <u>\$ 172,912</u> |

9. Revenue Anticipation Notes

During the years ended June 30, 2014 and 2013, the following changes occurred in the Authority's revenue anticipation notes (RANs):

| | <u>2014</u> | <u>2013</u> |
|-------------------|-------------------|---------------------|
| Beginning balance | \$ 1,807,893 | \$ 2,110,280 |
| New notes issued | 600,000 | 1,808,095 |
| Notes retired | (1,807,893) | (2,110,482) |
| Ending balance | <u>\$ 600,000</u> | <u>\$ 1,807,893</u> |

The RAN outstanding at June 30, 2014, bears interest at .45%, is due in June, 2015. All required payments are guaranteed by the Commonwealth of Massachusetts.

The RAN is expected to be refinanced upon maturity with generally the same terms as the note currently outstanding. Therefore, it is short-term debt expected to be refinanced and is included in the accompanying statement of net position as a noncurrent liability. The above balances are inclusive of bond premium activity.

10. Restricted Net Position

Restricted net position is comprised of the total restricted net assets less liabilities payable from restricted net assets. The following delineates the expendable versus nonexpendable restricted net position for 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Expendable | | |
| Restricted for capital assets, net of accounts payable | \$ 96,800 | \$ 6,380 |
| Nonexpendable | | |
| Restricted by enabling legislation | | |
| Stabilization fund | 92,091 | 82,091 |
| Reserve for extraordinary expense | 67,616 | 62,614 |
| | <u>159,707</u> | <u>144,705</u> |
| | <u>\$ 159,707</u> | <u>\$ 144,705</u> |

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2014 and 2013

11. Leases

Operating lease

At June 30, 2014, the Authority has noncancelable operating lease commitments with terms in excess of one year.

The future minimum lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-------------------|
| 2015 | \$ 46,379 |
| 2016 | 46,379 |
| 2017 | 42,212 |
| 2018 | 21,379 |
| 2019 | 21,379 |
| 2020 - 2024 | 106,895 |
| 2025 - 2028 | 90,861 |
| | <u>\$ 375,484</u> |

Aggregate rental expense was \$47,828 and \$44,222 for 2014 and 2013, respectively. The lessor related to this rental expense is the Town of Nantucket, a related party, Note 14.

12. Employees' Retirement Benefits

Pension

The Authority provides retirement benefits to employees through the Barnstable County Retirement Association (The Plan). The Plan operates a cost sharing, multi-employer, defined benefit pension plan. The Plan covers all eligible employees and provides retirement, disability, cost-of-living adjustments and death benefits to Plan members and beneficiaries.

The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Massachusetts General Laws, Chapter 32. Oversight of the System is provided by a five person Retirement Board. The Plan issues a publicly unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the Plan located at 750 Attucks Lane, Hyannis, MA 02601.

Plan members are required to pay into the Plan 5% to 11% of their covered compensation. The Authority is required to pay into the Plan its share of the remaining Plan wide actuarially determined contribution. This contribution is apportioned among employers based on active current payroll. The contribution requirements of plan members and the Authority are established and may be amended by Massachusetts General Laws, Chapter 32.

The Authority's current year contribution to the Plan was \$28,049 and represents .06% of Plan wide employer contributions. The Authority's contributions to the Plan for the years ending June 30, 2013 and 2012 were \$26,476 and \$24,372, respectively, representing .06% of Plan wide employer contributions in each year. The above contributions were equal to the Authority's required contributions for each year.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2014 and 2013

12. Employees' Retirement Benefits (continued)

Other Postemployment Benefits (OPEB)

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

Benefits Provided – Medical coverage, excluding dental, under the group health insurance plan for regular full-time employees will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period provided that the employee pay 10% of the enrollment cost as established annually by the Plan administrator. Once the retired employee is entitled to Medicare, health care coverage for the employee's spouse will continue as provided for under COBRA, provided that the employee pay 100% of the enrollment costs as established annually by the Plan administrator.

Funding policy – The retired employee must pay 10% of the enrollment cost (the “working rate”) as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Authority's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The components of the Authority's annual OPEB cost for the years ended June 30, 2014 and 2013, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation based on an actuarial valuation as of June 30, 2012 are as follows:

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|------------------|
| Annual required contribution (ARC) | \$ 21,243 | \$ 17,226 |
| Interest on net OPEB obligation | 3,566 | 1,415 |
| ARC adjustment | <u>(1,109)</u> | |
| Annual OPEB cost | 23,700 | 18,641 |
| Contributions made | <u>-</u> | <u>-</u> |
| Increase in net OPEB obligation | 23,700 | 18,641 |
| Net OPEB obligation - beginning of year | <u>77,492</u> | <u>58,851</u> |
| Net OPEB obligation - end of year | <u>\$ 101,192</u> | <u>\$ 77,492</u> |

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

12. Employees' Retirement Benefits (continued)

Other Postemployment Benefits (OPEB) (continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 was as follows:

| | <u>Annual OPEB Cost</u> | <u>Percentage Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------|-----------------------------|--|------------------------------------|
| June 30, 2012 | \$17,079 | 0% | \$ 58,851 |
| June 30, 2013 | \$18,641 | 0% | \$ 77,492 |
| June 30, 2014 | \$23,700 | 0% | \$101,192 |

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

| | |
|---|-------------------|
| Actuarial accrued liability (AAL) | \$ 271,432 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 271,432</u> |
| | |
| Funded ratio (actuarial value of plan assets/AAL) | 0.0% |
| | |
| Covered payroll (active plan members) | <u>\$ 139,126</u> |
| | |
| UAAL as a percentage of covered payroll | <u>195.1%</u> |

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

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

In the June 30, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial value of assets was not determined as the Authority has not advance-funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an annual health care cost trend rate of 8.0%, initially, reduced by .5% for six years to an ultimate level of 5.0% per year. Both rates include a 4.0% general inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

13. Commitments and Contingencies

- a) Federal and State Grants - The Authority has received capital and operating financial assistance from Federal and State agencies in the form of grants. Expenditure of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.
- b) Risk management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverages for each of the past three fiscal years.

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

14. Related Party Transactions

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

- a. Receivables for operating and capital assistance are delineated in Note 5.
b. Actual operating and capital assistance for 2014 and 2013 is as follows:

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|-----------------------------|----------------------------|
| Operating assistance | | |
| MassDOT appropriations | \$ 1,363,068 | \$ 394,651 |
| Federal pass-through grants | 531,803 | 512,619 |
| Local (Town) assistance | 346,532 | 338,080 |
| Capital assistance | | |
| MassDOT appropriations | 177,024 | 206,000 |
| Federal pass-through grants | <u> </u> | <u>763,602</u> |
| Total related party transactions | <u><u>\$ 2,418,427</u></u> | <u><u>\$ 2,214,952</u></u> |

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

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2014 and 2013

15. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. The increase in the reserve for 2014 and 2013 was \$5,002 and 5,591, respectively. The aggregate reserve balance at June 30, 2014 and 2013 was \$67,616 and \$62,614, respectively.

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

16. Subsequent Events

The Authority evaluated subsequent events through August 13, 2014, when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

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

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

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule 1

STATEMENT OF NET COST OF SERVICE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014
FORM 1

| | <u>Rural Area Service</u> |
|--|-------------------------------|
| I. Operating Costs | |
| A. RTA administrative costs (excluding depreciation and amortization) | \$ 124,213 |
| B. Purchased services | |
| Fixed route | 1,421,431 |
| Demand response | 236,344 |
| Brokerage services | 3,464 |
| C. Debt Service | 9,682 |
| Total Operating Costs | 1,795,134 |
| II. Federal Operating Assistance | |
| A. FTA operating and administrative | 531,803 |
| B. Other federal | |
| Total Federal Assistance | 531,803 |
| III. Revenues | |
| A. Farebox Revenue | 396,558 |
| B. Brokerage service reimbursement | 3,464 |
| C. Other third party reimbursement | 103,743 |
| D. Other Revenues | |
| 1. Advertising | 225 |
| 2. Parking | |
| 3. Sale of capital assets | |
| 4. Interest income | 3,271 |
| 5. Miscellaneous | 6,533 |
| Total Other Revenues | 10,029 |
| IV. Net Operating Deficit (I-II-III) | 749,537 |
| V. Adjustments | |
| A. Extraordinary expenses (not to exceed 3% of prior year's local assessment) | 5,002 |
| B. Stabilization fund | 10,283 |
| C. Revenue anticipation note reduction | 944,778 |
| Total Adjustments | 960,063 |
| VI. Net Cost of Service (IV+V) | 1,709,600 |
| VII. Net Cost of Service Funding | |
| A. Local Assessments | 346,532 |
| B. State contract assistance | 1,363,068 |
| 1. LESS: Adjustment for exceeding 2.5% cap on prior year net operating expenses | |
| C. State Contract Assistance to be funded | 1,363,068 |
| 1. LESS: Payment made by MassDOT in current year | (1,363,068) |
| D. Balance requested from the State | \$ - |
| VIII. Unreimbursed Deficit (VI-VIIA-VIIC) | - |

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule 2

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

For the Year Ended June 30, 2014
Form 2

I. Proof calculations and other required information:

| | | |
|--|----|-----------|
| A. Prior year operating expenses, net of fully funded costs brokerage service | \$ | 1,638,149 |
| Allowable percentage increase | | 2.5% |
| Prior year, net operating expenses times 2.5% | | 40,954 |
| Current year, allowable net operating expense | | 1,679,103 |
| Plus adjustments: | | |
| ADA expenses in excess of the 2.5% cap | | 8,822 |
| Brokerage funded costs | | 3,464 |
| New service costs | | |
| Other: (explain) Other fully funded (Private Funding) | | 103,745 |
| Amount under 2.5% cap | | |
| Total allowable operating costs (maximum allowed on Form 1, Line 1) | | 1,795,134 |
| B. Amount of extraordinary expenses (See V. Adjustments, Form 1) | | 5,002 |
| Prior year local assessment | | 338,080 |
| Percentage of extraordinary expense to prior local assessment (not to exceed 3%) | | 1.5% |
| C. Aggregate amount of reserve account at June 30. | | 67,616 |
| Prior year local assessment | | 338,080 |
| Percentage of reserve account to prior local assessment (not to exceed 20%) | | 20.0% |
| D. State the management fee paid to major service providers as a percentage of operating costs incurred. | | 6.0% |
| E. State the percentage of benefits paid by RTA on behalf of RTA employees for: | | |
| 1. Group life and accidental death insurance | | 50.0% |
| 2. Group health insurance | | 90.0% |
| F. State the brokerage service contracts costs as a percentage of total operating costs. | | 0.20% |
| G. Stabilization Fund | | |
| 1. Current year | | 10,283 |
| 2. Aggregate balance | | 92,091 |

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

Schedule 3

Schedule of Compensation Required by Massachusetts (Unaudited)
Executive Office for Administration and Finance
June 30, 2014

| <u>Title</u> | <u>Base Salary</u> | <u>Bonus</u> | <u>Severance</u> | <u>Retirement Contribution</u> | <u>Other</u> |
|------------------------|--------------------|--------------|------------------|------------------------------------|--------------|
| Administrator | \$ 87,872 | \$ - | \$ - | \$ 17,110 | \$ 18,610 |
| Other employees | - | - | - | - | - |
| Advisory Board Members | - | - | - | - | - |