LOWELL REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

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

Year Ended June 30, 2017

Table of Contents

The following is offered to the readers of the Lowell Regional Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Lowell Regional Transit Authority (the Authority) during the fiscal year ended June 30, 2017. Please read this discussion and analysis in conjunction with the Authority's financial statements which begin on page 7.

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to James H. Scanlan, Administrator, Lowell Regional Transit Authority, 115 Thorndike Street, Lowell, Massachusetts 01850.

Overview of the Financial Statements

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. As such, its financial statements consist of only those financial statements required for proprietary funds and the related notes.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by the notes to the financial statements. In addition to the financial statements, this report also contains supplemental schedules pertaining to the net cost of service of the Authority.

> The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
>
> The statement of revenues, expenses and changes in net position reports the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the fiscal year with the difference – the increase or decrease in net position – being combined with any capital grants to determine the net change in position for the fiscal year. That change combined with the previous year's end net position total reconciles to the net position total at the end of this fiscal year.
>
> The statement of cash flows reports cash and investment activities for the fiscal year resulting from operating activities, capital and related activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investment balance reconciles to the cash and investment balance of the current fiscal 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 and can be found on pages 10 through 28 of the report.

Condensed Financial Information

Condensed financial information as of and for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Current assets	$ 4,471,844	$ 4,557,744
Restricted and noncurrent assets	3,167,987	1,795,314
Capital assets, net	36,393,366	31,644,746
Total assets	44,033,197	37,997,804
Current liabilities	305,295	324,609
Restricted and noncurrent liabilities	8,437,007	7,161,139
Long term liabilities	-	-
Total liabilities	8,742,302	7,485,748
Net position:		
Invested in capital assets, net of related debt	36,393,366	31,644,746
Restricted	137,636	-
Unrestricted	(1,240,107)	(1,132,690)
Total net position	$ 35,290,895	$ 30,512,056
Operating revenue		
Revenue from transportation	$ 1,301,349	$ 1,371,165
Other	1,465,391	1,451,704
Total operating revenues	2,766,740	2,822,869
Operating expenses:		
Transportation services	9,501,784	9,443,896
Other operating expenses	2,036,505	1,934,701
Total operating expenses, excluding depreciation	11,538,289	11,378,597
Depreciation and amortization	3,202,603	2,912,273
Total operating expenses, including depreciation	14,740,892	14,290,870
Operating loss	(11,974,152)	(11,468,001)
Net nonoperating revenue	8,801,768	8,510,599
Loss before capital grants	(3,172,384)	(2,957,402)
Capital grants and contributions	7,951,223	2,622,862
Change in net position	4,778,839	(334,540)
Net position:		
Beginning of year	30,512,056	30,846,596
End of year net position	$ 35,290,895	$ 30,512,056

Financial Highlights

The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by $35,290,895. The Authorities total net position increased by $4,778,839 mainly due to the acquisition of fixed assets. The Authority's expenses, except for depreciation and amortization, are fully funded annually through a combination of federal, state, and local assistance.

The Authority's net position consists of its investment in capital assets (e.g., land, buildings, vehicles, and other equipment). The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are not available for future spending. Although the Authority's investment in capital assets is reported as net of related debt, it should be noted that the resources needed to repay any related debt outstanding must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Key factors in the changes in revenues and expenses are as follows:

- Passenger fares decreased $69,816, or 5.09%, due to a slight decline in ridership during the year.
- Total revenue decreased by $56,129 while total expenses, excluding depreciation, increased by $159,692.
- Revenues from assessments from member municipalities increased due to new service implemented during the year.
- Federal operating assistance increased by $189,379 while State operating assistance was level funded.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2017 amounted to $36,393,366 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, office, and other equipment.

Capital asset additions during the fiscal include the following:

Construction in Progress	$ 2,905,854
Transit Equipment	4,984,827
Service Equipment	41,634
Office Equipment	18,908
	$ 7,951,223

The Authority acquires its capital assets under federal capital grants and state matching funds.

At year-end, the Authority had $5,300,000 of notes outstanding, a decrease of $200,000 from the prior year.

Economic Factors and Next Year's Budgets

Funding the Authority's net cost of service consists of non-capital expenses less all non-capital revenues, except member municipality assessments and contract assistance from the Commonwealth of Massachusetts. The net cost of service is funded through assessments to member municipalities, which may increase by no more than 2.5% annually plus the members' share of any new services. In Fiscal 2016, the State has continued its funding policy to provide State Contract Assistance currently as opposed to reimbursing as in prior years.

This past year the LRTA completed the following Capital Projects:

- Purchased five (5) new Paratransit vehicles for its Road Runner Service
- Implemented a new automated scheduling and dispatch system for its Road Runner Service
- Installed all new efficient lighting systems in the three parking garages at the Gallagher Terminal
- Undertook a 2.5-million-dollar renovation of the Gallagher Transportation Terminal. This project will expand the terminal area along with providing improved passenger amenities. This project is scheduled to be completed October 2017.
- Undertook construction of a 2-million-dollar pedestrian walkway linking the Gallagher Terminal and the Comfort Furniture/Lupoli Building. This walkway will provide a pedestrian connection for both transit, residential and business uses.

In the upcoming year, the LRTA Capital Program will include:

- Completion of the Gallagher Transportation Terminal
- Completion of the pedestrian walkway
- Purchase ten (10) Paratransit vehicles for LRTA Road Runner and Council on Aging services
- To acquire property for future parking at the North Billerica Train Station
- Purchase of spare parts and building and equipment maintenance parts

On the service side, the LRTA is expanding services to the general public and UMass/Lowell. The LRTA and UMass/Lowell have a new partnership whereby students and faculty can ride LRTA buses by swiping their pass with the University reimbursing the LRTA for the fare. Additionally, the LRTA will be adding a new service/Route for UMass Lowell Monday through Friday during the school year from the UMass Inn and Conference Center to the UMass North Campus.

The LRTA will continue to work with all its partners at the local, state and federal levels to ensure compliance with all regulatory requirements.

ROLAND P. LAMBALOT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
184 PLEASANT VALLEY ST.
METHUEN, MA 01844
TELEPHONE (978) 691-0050
FAX (978) 691-0066

INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the
Lowell Regional Transit Authority

We have audited the accompanying financial statements of the Lowell Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, which comprise the statement of net financial position as of and for the year ended June 30, 2017, and the related statement of changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Lowell Regional Transit Authority as of June 30, 2017 and the respective changes in its net position and in its cash flows thereof for year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 1 through 4, Schedule of Authority's Proportionate Share of the Net Pension Liability and Schedule of Pension Liability on pages 29 and 30 are 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 on pages 31 and 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedules are the responsibility of management and were 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Roland P. Lambalot, PC

Methuen, Massachusetts
September 20, 2017

LOWELL REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2017

Assets and Deferred Outflows of Resources

Current assets:	
Unrestricted cash and short term investments	$ 1,175,755
Local assessments receivable	3,006,713
Contractor advances	274,865
Prepaid expenses	14,511
Total current assets	4,471,844
Restricted and noncurrent assets:	
Cash and cash equivalents	41,830
Local assessments receivable	1,079,773
Capital assistance receivables	1,814,473
Capital assets, net	36,393,366
Total noncurrent assets	39,329,442
Total Assets	43,801,286
Deferred outflow of resources	
Deferred outflows from pension plans	231,911
Total assets and deferred outflows of resources	$ 44,033,197

Liabilities and Deferred Inflows of Resources

Current liabilities:	
Accounts payable and accrued expenses	$ 211,558
Accrued payroll	80,172
Accrued interest payable	102,247
Other post employment benefits	(88,682)
Total current liabilities	305,295
Restricted and noncurrent liabilities:	
Accounts payable	1,664,989
Net pension liability	1,441,415
Revenue anticipation notes	5,300,000
Total restricted and noncurrent liabilities	8,406,404
Total Liabilities	8,711,699
Deferred inflow of resources	
Deferred inflows from pension plans	30,603
Total liabilities and deferred inflows of resources	$ 8,742,302

Net Position

Invested in capital assets, net of related debt	$ 36,393,366
Restricted (Note 17)	137,636
Unrestricted (Note 16)	(1,240,107)
Total Net Position	$ 35,290,895

See accompanying notes to the financial statements

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

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2017

Operating Revenues:	
Passenger fares	$ 1,301,349
Terminal revenues	1,229,658
Other Income	235,733
Total operating revenues	2,766,740
Operating Expenses:	
Transit service	7,233,169
Maintenance	2,268,615
Terminal expenses	1,174,595
General Administration	861,910
	11,538,289
Depreciation	3,202,603
Total operating expenses	14,740,892
Operating loss	(11,974,152)
Nonoperating revenues (expense)	
Operating assistance grants	
Federal operating assistance	2,441,536
Commonwealth of Massachusetts contract assistance	3,608,306
Local Assessments	2,778,960
Interest income	13,222
Interest expense	(40,256)
Total nonoperating revenues	8,801,768
Loss before capital grants	(3,172,384)
Capital grants and contributions	7,951,223
Change in net position	4,778,839
Net position, beginning of year	30,512,056
Net position, end of year	$ 35,290,895

See accompanying notes to the financial statements

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

Statement of Cash Flows

Year ended June 30, 2017

Cash flows from operating activities:	
Passenger fares	$ 1,301,349
Terminal revenue	1,229,658
Other cash receipts	235,733
Payments to operators	(9,508,056)
Payments to other vendors	(1,620,243)
Payments to employees for services	(400,028)
Net cash used in operating activities	(8,761,587)
Cash flows from non-capital financing activities:	
Proceeds from sale of revenue anticipation notes	5,300,000
Principal paid on revenue anticipation notes	(5,500,000)
Interest paid on revenue anticipation notes	(20,624)
Operating and contract assistance	8,752,137
Net cash provided by non-capital financing activities	8,531,513
Cash flows from financing activities:	
Capital grants	8,327,744
Purchase of capital assets	(7,951,223)
Net cash used by capital and related financing activities	376,521
Cash flows from investing activities:	
Interest income	13,222
Net cash used by investing activities	13,222
Net increase in cash and cash equivalents	159,669
Cash and cash equivalents, beginning of year	1,057,916
Cash and cash equivalents, end of year	$ 1,217,585
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (11,974,152)
Adjustments:	
Depreciation	3,202,603
Changes in assets and liabilities	
Local assessment and other receivables	81,591
Accounts payable	(71,629)
Net cash used in operating activities	$ (8,761,587)

See accompanying notes to the financial statements

Note 1. The Reporting Entity

The Authority, a political subdivision of the Commonwealth of Massachusetts (the Commonwealth), was established in accordance with Chapter 161B of the Massachusetts General Laws to provide a public transit system for the territory comprised of the City of Lowell and the towns of Billerica, Chelmsford, Dracut, Dunstable, Tewksbury, Tyngsboro, Pepperell, Acton, Groton, Townsend, Westford, Maynard, and Carlisle. In accordance with requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board* (GASB), the financial statements must present the Authority (the primary government) and its component units. Pursuant to this criterion, no component units were identified 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 Massachusetts Department of Transportation.

Note 2. Summary of Significant Accounting Policies

A. Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow 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 operation of the Authority are included in the Statements of Net Position. The principal revenues of the Authority are fare box revenues received from patrons and terminal revenues from parking facilities. The Authority also recognizes as operating revenue the rental fees received from vendors from operating leases of Authority property. Operating expenses for the Authority include the costs of operating mass transit and demand responsive services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. Budget

The Authority must establish an operating budget each year so that the amount will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, less (b) the aggregate of all revenue and transfers projected to be received by the Authority, including available surplus funds. The budget for all operations of the Authority is prepared by the Administrator and is acted upon by the Advisory Board. The budget is prepared on the accrual basis. Depreciation is not recognized as an expense, but capital outlays are recognized as expenses for budgetary control purposes. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

C. Cash and Cash Equivalents

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance except as stated in Note 2. The carrying amount of the cash equivalents is fair value. 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.

D. Compensated Absences

Employees of the Authority are allowed to accumulate sick leave up to 60 days. In the event of termination, there is no provision to compensate employees for unused sick time. Upon retirement, there is a provision for employees who retire or die in service to be paid up to a maximum of 30 days, 50% of the value of their unused sick time, at the time of their retirement or death. The amount recorded is the unused days earned at the current rate of pay, up to a maximum of 30 days.

E. Capital Assets

Capital assets are stated at cost. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in condition for use.

F. Depreciation

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

Buildings	30 years
Vehicles	5-12 years
Passenger Shelters	5 years
Furniture, fixtures and equipment	5-7 years

A full month's depreciation is taken in the month an asset is placed in service. 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.

G. 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.

H. Concentration of Credit Risk

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

I. Investments

Investments consist of short term investments in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool that is overseen by the Massachusetts State Treasurer. MMDT is recorded at its net asset value per share, or NAV, which is equal to $1.00 per share. MMDT has no redemption restrictions.

J. Available Unrestricted Resources

The Authority's policy is to utilize available unrestricted resources prior to restricted resources.

K. Statement of Net Position

The statement of net position presents all of the Authority's assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed of the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

L. Restricted Assets and Restricted Liabilities

Restricted assets are restricted for the acquisition of capital assets and the reserve for extraordinary expense. Restricted liabilities are amounts payable from the restricted assets.

M. New Accounting Pronouncements

In June of 2015 the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial statements of state and local governmental OPEB plans for making decisions and assessing accountability. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In August of 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The principal objective of this Statement is to require the disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In December of 2015 the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In December of 2015 the GASB issued GASB No. 79, *Certain External Investments Pools and Pool Participants*. The principal objective of this statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In January of 2016 the GASB issued GASB No. 80, *Blending Requirements for Certain Component Units*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In March of 2016 the GASB issued GASB No. 82, *Pension Issues*. The objective of this statement is to improve the consistency in the application of pension accounting and financial reporting addressing certain issues that have been raised with respect to Statements 67, 68, and 73. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2017 and 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.

Statement No.		Adoption Required in Fiscal Year
81	*Irrevocable Split-Interest Agreements*	2018
83	*Certain Asset Retirement Obligations*	2019
84	*Fiduciary Activity*	2020
85	*Omnibus 2017*	2018
86	*Certain Debt Extinguishment Issues*	2018
87	*Leases*	2021

There have been no other pronouncements issued subsequent to Number 87 as of the date of the audit report. It is the Authority's policy to review all GASB's issued for their applicability d the effect of implementation.

N. Pensions

For purposes of measuring the Authority's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Lowell Retirement System (LRS) and additions to/deductions from the LRS's fiduciary position have been determined on the same basis as they are reported by LRS. 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.

O. Deferred Outflows/Inflows of Resources

The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. For fiscal 2017, the Authority has reported deferred outflows and deferred inflows that are related to its pension plan.

P. 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 state 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.

Note 3. Cash and Cash Investments

The following represents essential risk information about the Authority's deposits and investments.

A. Investment Policy

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 Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust ("MMDT").

B. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2017, $825,190 of the government's bank balance of $1,079,565 was exposed to custodial credit risk as uninsured and uncollateralized.

C. Interest Rate Risk

As of June 30, 2017, the Authority's primary short-term investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment at June 30, 2017 was $1,304,565 and its average maturity is less than one year.

D. Credit Risk

As of June 30, 2017, the Authority's investment in the state investment pool, MMDT, was not rated.

E. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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.

Because MMDT is measured at net asset value, it is not required to be measured within the fair value hierarchy described above.

F. Restricted Cash

Restricted cash is segregated from operating cash due to being restricted for capital asset purchases.

Note 4. Grants

Under various sections of Fixing America's Surface Transportation (FAST) Act, the United States Department of Transportation approves capital grants to fund up to 80% of the Authority's capital improvement projects. The remaining portion of approximately 20% will be financed through the Commonwealth's Executive Office of Transportation. 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 complementary ADA services costs, as defined.

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation under which the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for fiscal year 2017 was $3,608,306.

Note 5. Capital Assets

The following is a summary of changes in Capital Assets at June 30, 2017:

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated:				
Land	$ 1,454,571	-	-	1,454,571
Construction in progress	2,063,785	2,905,854	1,593,311	3,376,328
Total capital assets not being depreciated	3,518,356	2,905,854	1,593,311	4,830,899
Other capital assets:				
Buildings and improvements	47,464,641	1,593,311	-	49,057,952
Transit equipment	16,496,674	5,059,164	2,994,724	18,561,114
Service equipment	1,358,432	41,634	58,122	1,341,944
Service vehicles	498,168	-	-	498,168
Office equipment	98,483	18,908	4,560	112,831
Bus shelters	75,228	-	-	75,228
Total other capital assets at historical cost	65,991,626	6,713,017	3,057,406	69,647,237
Less accumulated depreciation for:				
Buildings and improvements	25,841,620	1,311,967	-	27,153,587
Transit equipment	10,444,517	1,800,112	2,920,387	9,324,242
Service equipment	1,019,571	59,382	58,122	1,020,831
Service vehicles	392,236	28,891	-	421,127
Office equipment	92,064	2,251	4,560	89,755
Bus shelters	75,228	-	-	75,228
Total accumulated depreciation	37,865,236	3,202,603	2,983,069	38,084,770
Other capital assets, net	28,126,390	3,510,414	74,337	31,562,467
Total capital assets, net	$ 31,644,746	6,416,268	1,667,648	36,393,366

Note 6. Revenue Anticipation Notes

During the year ended June 30, 2017, the following changes occurred in the Authority's revenue anticipation notes (RANS):

Beginning balance	$ 5,500,000
New notes issued	5,300,000
Notes retired	(5,500,000)
Ending balance	$ 5,300,000

The $5,300,000 of RANS outstanding were issued on August 5, 2016, carried an interest rate of 1.50% (NIC 0.678%) and were due August 11, 2017. The Authority refinanced its Revenue Anticipation at a base of $5,250,000 at a rate of 2.00% (NIC 1.122%) with a premium of $45,969 with a due date of August 10, 2018. The Authority uses the proceeds of these notes to fund its mass transit operations. The RAN is considered short term debt that is expected to be refinanced and is included in the accompanying Statement of Net Position as a noncurrent liability.

Note 7. Pension Plan

General Information about the Pension Plan

A. Plan Description

The Authority contributes to the Lowell Contributory Retirement System (LCRS), a multiple- employer, cost sharing, contributory defined benefit pension plan administered by the City of Lowell Retirement Board. The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of Massachusetts General Laws. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems.

B. Benefits Provided

The plan covers all eligible employees and provides retirement, disability, cost of living adjustments and death benefits to all plan members and beneficiaries. Massachusetts contributory retirement system benefits are, with certain exceptions such as cost of living adjustments which can be adopted by the Board from time to time, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate or regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

C. Funding Policy

Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn an interest rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System. Authority is required to pay into the Retirement System its share of the system-wide actuarially determined contribution, which is apportioned among the employers, based on active covered payroll. The Authority's contribution to the Retirement System for the year ended June 30, 2017 was $121,836, which equaled its required contribution for the year.

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

At June 30, 2017, the Authority reported a liability of $1,441,415 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Update procedures were used to roll forward the total pension liability to December 31, 2016. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the Authority's proportion of net pension liability was 0.493 percent.

Since LCRS performs an actuarial valuation bi-annually, there are no reported amounts for changes in benefit terms differences between expected and actual experience and changes in assumptions as of December 31, 2016.

In the LCRS Financial Statements for the year ended December 31, 2016, in addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of fiduciary net position that applies to a future period (s) and so will not be recognized as an outflow of resources (deduction) until then. The LCRS did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflow of resources,* represents an acquisition of net position that applies to future period (s) and so will not be recognized as an inflow of resources (addition) until that time. The LCRS did not have any items that qualify for reporting in this category.

For the year ended June 30, 2017, the Authority recognized pension expense of $229,253. At June 30, 2017, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 19,004	$ -
Net difference between projected and actual investment earnings on pension plan investments	82,956	-
Change of assumptions	103,842	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,109	30,603
	$ 231,911	$ 30,603

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Year ended June 30:		
2018	$ 65,329	$ 8,621
2019	65,329	8,621
2020	63,126	8,330
2021	36,132	4,768
2022	1,995	263

A. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, rolled forward to the plan's measurement date of December 31, 2015 using the following assumptions:

Valuation date	January 1, 2015	
Actuarial cost method	Individual entry age normal cost method	
Amortization method	UAAL:	Increasing dollar amount to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2036.
	2002 & 2003 ERI's:	Level dollar amount to reduce the 2002 and 2003 ERI Actuarial Accrued Liability to zero on or before June 30, 2017, respectively.
Remaining amortization period	20 years for the UAL as of December 31, 2016; 1 year for the 2002 ERI and 4 years for the 2003 ERI as of December 31, 2016.	
Asset valuation method	The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: a) 80% of gains and losses of the prior year, b) 60% of gains and losses of the second prior year, c) 40% of gains and losses of the third prior year and d) 20% of gains and losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 90% or more than 110% of market value.	
Inflation	3.5 percent	
Projected salary increases	4.25-6.0% per year for general employees and 4.75-7.0% per year for public safety, including longevity.	
Cost of living allowances	Cost of living allowances are assumed to be 3% of the first $17,000 of the annual retirement allowance capped at $510 per year.	
Rates of retirement	Varies based upon age for general employees, police and fire employees.	
Rates of disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are accidental). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are accidental).	
Mortality rates:	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2015) with full generational mortality improvement using Scale BB.	
Investment rate of return/Discount rate	7.75%, net pension plan investment expense, including inflation.	

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. Best estimates of arithmetic real rates of return for each major asset class in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	40.00%	7.97%
Fixed income	12.00%	3.85%
Value-added fixed income	10.00%	7.02%
Private equity	11.00%	9.50%
Real estate	10.00%	6.50%
Timber/natural resources	4.00%	6.00%
Hedge funds	13.00%	6.48%
Total	100.00%	

B. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Authority's proportionate share of the net pension liability	$ 1,786,094	$ 1,441,415	$ 1,149,539

D. Pension plan fiduciary net position

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

Other Pension Plans

The Authority also administers a deferred compensation plan through which employees can participate in a voluntary, payroll-deducted retirement program created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death approved or unforeseeable emergency. All amounts of compensation deferred, property purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries.

Note 8. Other Postemployment Benefits

GASB No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the statement of revenues, expenses, and changes in net position when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the balance sheet over time.

A. Plan Description

The Lowell Regional Transit Authority Healthcare Plan (LRTAHP) is a single-employer defined benefit healthcare plan administered by the Lowell Regional Transit Authority. LRTAHP provides medical benefits to eligible retirees and their spouses. Chapter 32B of the Massachusetts General Laws assigns the authority to establish and amend benefit provisions. The plan does not issue a separate financial report.

B. Benefits Provided

The Authority provides medical, prescription drug, and mental health/substance abuse to retirees and their covered dependents. All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits.

C. Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended by the state legislature. The required contribution is based on the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Authority. The Authority began prefunding the plan in October, 2009.

D. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal 2008 was the first year of the adoption of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to LRTAHP.

Annual required contribution	$ 45,553
Interest on net OPEB obligation	(2,210)
Adjustment to annual required contribution	2,094
Annual OPEB cost (expense)	45,437
Contributions made	(85,000)
Change in net OPEB obligation	(39,563)
Net OPEB obligation - beginning of year	(49,119)
Net OPEB obligation - end of year	$ (88,682)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB cost contributed	Net OPEB obligation
2015	$ 51,447	100.0%	$ -
2016	33,609	100.0%	-
2017	45,437	100.0%	-

The Authority's net OPEB obligation as of June 30, 2017 is recorded as "other postemployment benefits" line item.

E. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 67.66 percent funded. The actuarial accrued liability for benefits was $708,154 and the actuarial value of assets was $479,136, resulting in an unfunded actuarial accrued liability (UAAL) of $229,018. The covered payroll (annual payroll of active employees covered by the plan) was $370,439 and the ratio of the UAAL to the covered payroll was 61.82%. 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 estimated about the future. A schedule of funding progress will be presented when the plan has been in place for a sufficient number of years to allow it present 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.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the 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 Authority and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. In the July 1, 2014 actuarial valuation the projected unit credit method was used. The actuarial assumptions included a 7.0 percent investment return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5 percent initially, reduced by decrements to an ultimate rate of 5 percent after eight years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a thirty year period. The UAAL is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period at July 1, 2014 was twenty three years.

Note 9. Risk Management

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority has developed a comprehensive risk management program. There have been no significant reduction in coverage from the prior year and settlements have not exceeded insurance coverage for the current year or in any other year.

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 amount 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, 2017.

Note 10. Disaggregation of Receivable and Payable Balances

Receivables are primarily comprised of current intergovernmental receivables representing 95.33% of the balance at year end. The remaining current receivables are comprised of amounts due from vendors and auxiliary revenue sources. Payable balances are comprised of 96.03% current payables to contractors and vendors with the remaining balance representing deferred employee liabilities.

Note 11. Commitments and Contingent Liabilities

A. Capital Investment Program

The Authority's capital investment continuing program for mass transportation development has projects in service and in various stages of approval, planning, and implementation. The following table shows, as of June 30, 2017, capital projects costs approved, expenditures against these projects, and estimated costs to complete these projects, as well as the major funding sources.

Funding Source	Approved project costs	Expenditures through June 30, 2017	Unexpended costs
Federal grants	$ 12,693,305	11,063,919	1,629,386
State and local sources	5,982,506	5,064,154	918,352
Total	$ 18,675,811	16,128,073	2,547,738

The terms of the federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and to comply with the Equal Employment Opportunity and Affirmative Action programs required by Fixing America's Surface Transportation (FAST) Act. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Transit Administration (FTA). In management's opinion, no events have occurred that would result in the termination of the grants or require the refund of a significant amount of funds received under these grants.

B. Legal and Other

The Authority is a defendant in various litigations. Although the outcomes of these matters are not presently determinable, in the opinion of the Authority's management, the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

The Authority had entered into a three year agreement for fixed route management and preventive maintenance services effective July 1, 2015. The contract has a termination date of June 30, 2018 and may be extended for two more years. The Authority had also entered into a three year management agreement for the provision of its demand responsive services effective July 1, 2014. That contract has a termination date of June 30, 2017. The Authority elected to renew the contract for two additional years.

The State changed its methodology for reimbursing the Authority for assessments presented in current and past audits. This change affected all Transit Authorities in the Commonwealth with the exception of the MBTA. LRTA has accumulated $1,079,773 in shortages going back to fiscal 2008. Discussions have been going on through the Authority's representative, the Massachusetts Association of Regional Transit Authorities (MARTA). Little progress has been made in resolving this matter. The state changed the format of current reimbursement to two years in arrears.

C. Fuel Contracts

The Authority has the following contracts outstanding:

Product	Term	Gallons	Price
Unleaded Gasoline	1/1/17 - 12/31/17	75,000	$ 1.44
Ultra Low Sulfur Diesel	1/1/17 - 12/31/17	300,000	1.49

Note 12. Net Assets – Investments in Capital Assets

This balance is represented by the amount invested in capital assets net of related debt. It is comprised of the following:

Cost of Capital Assets Acquired	$ 74,478,136
Less: Accumulated Depreciation	38,084,770
Less: Outstanding Debt Related to Capital Assets	-
	$ 36,393,366

Note 13. Transit Service

The operation of the Authority's fixed route service and maintenance of the Authority's transportation property were performed by Lowell Transportation Management, Inc. under the terms of an agreement whereby Lowell Transportation Management, Inc. operated mass transit along such routes and according to such schedules as defined by the Authority. In return, the Authority agreed to pay Lowell Transportation Management, Inc. a management fee and to reimburse it for all costs and expenses which were reasonable and necessary for the efficient operation of the service.

The operation of the Authority's "road runner" bus service for the elderly, handicapped, and low-income persons is performed by Lowell Transit Management, Corp. In return, the Authority agrees to pay Lowell Transit Management, Corp. a management fee and to reimburse it for all costs and expenses which were reasonable and necessary for the efficient operation of the service.

The Authority enters into an annual contract with each of the Towns of Acton, Billerica, Chelmsford, Dracut, Groton, Maynard, Townsend, Tyngsboro, and Westford to provide paratransit services for the elderly, handicapped, and low-income persons who are unable to use the fixed route service. Service policies are defined by the Authority, which has agreed to reimburse for all reasonable and necessary expenses for the efficient operation of the paratransit service.

Note 14. Executive Compensation

Administration and Finance regulations, 801 CMR 53.00, on Executive Compensation require that the Authority disclose in the annual financial statements the "salaries and other compensation of its executive director, officers, board members and other highly compensated employees". Compensation is defined in the regulation, 801 CMR 53.04 (1) to include "base salary, bonuses, severance, retirement or deferred compensation packages and policies relative to the accrual and payment of sick and vacation time, including payouts for unused sick and vacation time". The administrator and the chief financial officer are the only individuals for whom disclosure is required. Based on the above definition of compensation the administrator received $136,013 during the fiscal year while the chief financial officer received $115,206.

Note 15. Related Party

The Authority is deemed to be a related part of the Commonwealth of Massachusetts and the Massachusetts Department of Transportation due to its status as a component unit. Related party transactions consisted of Operating Assistance of $3,608,306; State Capital Assistance of $6,915,104; Federal pass-through funds of $213,111; and Local Assessments of $2,778,960 to be paid to the Authority by the Commonwealth. Related party receivables consist of $4,086,486 in local operating assistance to be billed to the Communities constituting the Authority; $1,802,312 of State Capital Assistance; and $-0- of Federal pass-through funds.

Note 16. Unrestricted Net Position

The balance in the Unrestricted Net Position on the Statement of Net Position primarily reflects the effect of the presentation of the net pension liability required by GASB 68 that is listed as a noncurrent liability. This requirement was effective with the fiscal year ended June 30, 2015.

Note 17. Restricted Net Position

In accordance with Section 6(q) 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 expense that are both unusual in nature and infrequent in occurrence. The total reserve amount may not exceed 20% of the prior year's local assessment and the annual funding cannot exceed 3% of the current year's local assessment. The accumulated aggregate reserve is $83,369 (which represents approximately 3% of the applicable local assessment of $2,778,960).

Chapter 161B of the General Laws of the Commonwealth has been amended to allow the Authority to establish a stabilization fund, which can be accessed for capital improvements or to offset an unforeseen and dramatic loss of revenue within a fiscal year and to pay current expenses after implementing all efficiencies and savings possible. The Authority maintains a stabilization fund in the amount of $54,267.

Note 18. Subsequent Events

The Authority has evaluated subsequent events to June 30, 2017 through September 20, 2017, the date on which the financial statements were available for issuance, and determined that there are no material items that would require recognition or disclosure in the Authority's financial statements.

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

Required Supplementary Information (Unaudited)

Schedule of the Authority's Proportionate Share of the Net Pension Liability

Year Ended June 30, 2017

	2017	2016	2015
Authority's proportion of the net pension liability	0.493%	0.480%	0.500%
Authority's proportionate share of the net pension liability	$ 1,441,415	$ 1,339,816	$ 1,095,296
Authority's covered-employee payroll	$ 398,413	$ 384,940	$ 402,779
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	361.79%	348.06%	271.93%
Plan fiduciary net position as a percentage of the total pension liability	52.99%	52.64%	58.94%

Notes to Required Supplementary Information

Measurement Date

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

Schedule Presentation

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

Changes Information

Since the Lowell Contributory Retirement System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2016.

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

Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

Year Ended June 30, 2017

	2017	2016	2015
Actuarially required contribution	$ 121,836	$ 104,627	$ 109,441
Contributions in relation to the actuarially required contribution	121,836	104,627	109,441
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 398,413	$ 384,940	$ 402,779
Contributions as a percentage of its covered-employee payroll	30.58%	27.18%	27.17%

Notes to Required Supplementary Information

Schedule Presentation

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

Contributions

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

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

Schedule of Net Cost of Service

For the Year Ended June 30, 2017

OPERATING COSTS	
LRTA administrative costs	$ 892,129
Purchased services	
Fixed route	7,282,622
Demand responsive	2,219,162
Terminal expense	1,174,595
Debt service - interest	40,256
Total operating costs	11,608,764
FEDERAL OPERATING ASSISTANCE	
FTA operating and administrative	2,441,536
Other federal	-
Total federal assistance	2,441,536
REVENUES	
Operating	
Farebox revenue	1,301,349
Other Revenue	
Advertising	53,539
Parking	1,229,658
Interest income	13,222
Miscellaneous	182,194
Total other revenue	1,478,613
NET OPERATING DEFICIT	6,387,266
ADJUSTMENTS	
Extraordinary expenses	-
NET COST OF SERVICE	6,387,266
NET COST OF SERVICE FUNDING	
Local assessments	2,778,960
State contract assistance to be funded	3,608,306
Less: state operating assistance received	3,608,306
Balance requested from the State	-
UNREIMBURSED DEFICIT	-

See accompanying independent auditors' report

LOWELL REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Schedule of Local Assessments

For the Year Ended June 30, 2017

The following table shows the local share that has been assessed upon each member municipality by the Commonwealth for fiscal year 2016 as well as the audited amount for fiscal 2017.

	2016 Assessment	2017 Audited
Acton	$ 172,096	209,598
Billerica	300,492	308,004
Carlisle	44,942	46,066
Chelmsford	247,241	253,422
* Dunstable	-	-
Dracut	189,536	194,274
Groton	80,043	82,044
Lowell	994,016	1,018,868
Maynard	79,170	81,149
Pepperell	17,736	18,179
Tewksbury	264,723	271,341
Townsend	43,739	44,832
Tyngsborough	81,549	83,588
Westford	163,507	167,595
Totals	$ 2,678,790	2,778,960

* Dunstable received no services in 2016 and 2017.