BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Financial Statements, Required Supplementary Information, and
Other Supplemental Schedules

June 30, 2016

(With Independent Auditors' Report Thereon)

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

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KPMG LLP
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Independent Auditors' Report

The Advisory Board
Brockton Area Transit Authority:

Report on the Financial Statements

We have audited the accompanying statement of net position of the Brockton Area Transit Authority (the Authority) (a component unit of the Massachusetts Department of Transportation) as of June 30, 2016, and the statements of revenues, expenses and 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial position of the Authority, as of June 30, 2016, and the change in net position, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) 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 RSI 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 Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The other supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental 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 other supplemental schedules are fairly stated in all material respects in relation to the basic 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 October 11, 2016 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.

KPMG LLP

October 11, 2016

The following is offered to the reader of the Brockton Area Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Brockton Area Transit Authority (the Authority) during the fiscal year ended June 30, 2016. Please read this discussion and analysis in conjunction with the Authority's financial statements.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $17,540,972.
- The Authority's total net position decreased by $1,758,078 during fiscal year 2016 and decreased by $1,505,385 during fiscal year 2015. This change of $252,693 from fiscal year 2015 to fiscal year 2016 is mainly due to a decrease in federal capital grants.
- The Authority's operating expenses, less operating revenues and depreciation, are funded annually through a combination of federal, state, and local assistance.
- The Authority's unrestricted cash and short term investments and restricted cash decreased by approximately $280,000. This decrease is mainly due to a decrease in borrowed funds in fiscal year 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority is a special-purpose government engaged in only business-type activities. As such, its financial statements consist of only those required for proprietary funds and notes to the financial statements.

The proprietary fund statement offers short-term and long-term financial information about the business-type activities of the Authority.

(Continued)

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

Condensed financial information

		2016	2015	Changes by dollar	Changes by percentage
Current and other assets	$	7,256,823	7,369,563	(112,740)	-1.5%
Noncurrent and capital assets, net		19,210,265	20,275,030	(1,064,765)	-5.3%
Deferred outflows of resources related to pensions		127,263	62,434	64,829	103.8%
Total assets and deferred outflows of resources	$	26,594,351	27,707,027	(1,112,676)	-4.0%
Current liabilities	$	1,920,273	1,235,827	684,446	55.4%
Long-term liabilities		6,505,888	6,635,888	(130,000)	-2.0%
Long-term net pension liabilities		523,440	459,550	63,890	13.9%
Deferred inflows of resources related to pensions		103,778	76,712	27,066	35.3%
Total liabilities and deferred inflows of resources	$	9,053,379	8,407,977	645,402	7.7%
Net position:					
Net investment in capital assets	$	18,269,535	19,435,073	(1,165,538)	-6.0%
Restricted		126,264	126,264	—	0.0%
Unrestricted		(854,827)	(262,287)	(592,540)	225.9%
Total net position	$	17,540,972	19,299,050	(1,758,078)	-9.1%

(Continued)

	2016	2015	Changes by dollar	Changes by percentage
Operating revenues:				
Passenger fares	$ 3,809,716	3,787,165	22,551	0.6%
Other operating revenues	297,058	396,506	(99,448)	-25.1%
Total operating revenues	4,106,774	4,183,671	(76,897)	-1.8%
Operating expenses:				
Transportation services	11,174,182	10,889,719	284,463	2.6%
Other operating expenses	4,232,067	4,144,818	87,249	2.1%
Total operating expenses, excluding depreciation	15,406,249	15,034,537	371,712	2.5%
Depreciation	3,249,846	3,297,762	(47,916)	-1.5%
Total operating expenses, including depreciation	18,656,095	18,332,299	323,796	1.8%
Operating loss	(14,549,321)	(14,148,628)	(400,693)	2.8%

		2016	2015	Changes by dollar	Changes by percentage
Nonoperating revenues (expenses):					
Contract assistance and local assessments	$	11,353,498	10,910,764	442,734	4.1%
Other		(26,195)	(28,578)	2,383	-8.3%
Total nonoperating revenues		11,327,303	10,882,186	445,117	4.1%
Loss before extraordinary expense and capital grants		(3,222,018)	(3,266,442)	44,424	-1.4%
Extraordinary expense		—	(22,417)	22,417	-100.0%
Capital grants		1,463,940	1,783,474	(319,534)	-17.9%
Decrease in net position		(1,758,078)	(1,505,385)	(252,693)	16.8%
Beginning net position		19,299,050	20,804,435	(1,505,385)	-7.2%
Ending net position	$	17,540,972	19,299,050	(1,758,078)	-9.1%

The Authority's net position consists primarily of its net investment in capital assets (e.g., land, transfer center, maintenance facility, transportation equipment, and miscellaneous equipment). The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, this component of net position is not available for future spending. Although the Authority's investment in its capital assets is reported 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 noncapital revenues and expenses are as follows:

- Total operating expenses, excluding depreciation, increased overall by $371,712, or approximately 2.47%, as a result of contractual increases in labor and health insurance as well as increases in contract maintenance service, consulting fees and other general operating costs which were partially offset by a decrease in fuel cost.
- Interest expense increased by $6,978, or approximately 19.6%. This is a result of an increase in the interest rates.

(Continued)

- Federal assistance increased by $179,817, or approximately 12.8% due to increase in operating expenses and a decrease in advertising revenues.
- Commonwealth of Massachusetts increased their assistance by $170,320, or approximately 2.5%.
- Revenues from assessments from member municipalities increased by $92,597, or approximately 3.4%, as a result of the statutorily allowed annual 2.5% increase plus the members share of new service.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2016 and 2015 amounted to $18,269,535 and $19,435,073, respectively, net of accumulated depreciation. This investment in capital assets includes land, transfer center, maintenance facility, transportation equipment, and miscellaneous equipment.

Capital asset additions during the fiscal years included the following:

		2016	2015
Transfer center and maintenance facility	$	18,817	107,741
Buses, fareboxes, and support vehicles		1,702,424	645,813
Miscellaneous equipment		363,067	446,287
	$	2,084,308	1,199,841

The Authority primarily acquires its capital assets under federal capital grants and state matching funds. Capital asset additions increased by $884,467 which was due to the Authority continuing with its midlife vehicle overhaul program in lieu of replacing fixed route vehicles and the addition of paratransit vehicles in fiscal year 2016.

At year-end, the Authority had $5,750,000 of Revenue Anticipation notes outstanding.

Economic Factors and Next Year's Budget

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 (approximately 71.5%) on contract assistance from the Commonwealth of Massachusetts. The budgetary planned increase for state contract assistance is 2.5% or $174,578 for the Authority's fiscal year 2017. The planned increase for state contract assistance is consistent with the legislature's intent and actions related to the Commonwealth's Transportation Finance Bill. The Authority anticipates continued improvement in its cash flows due to forward funding efforts of the state's contract assistance and monthly reimbursements of prior year's local assessments from member communities. The Authority has been able to dramatically reduce the amount of Revenue Anticipation Notes (RANs) that need to be issued on an annual basis. RANs still need to be issued to cover assistance received from The Federal Transit Administration (FTA), reimbursements for community local assessments, as well as, other seasonal and fluctuating cash flow requirements. The Transportation Finance Bill required regional transit authorities to conduct Comprehensive Regional Transit Plans (CRTP) involving various stakeholders and partners to review and evaluate the transit system's effectiveness and efficiency while seeking to improve the mobility of individuals within the transit authority's region and the commonwealth. The plan was completed by the Old Colony Planning Council (OCPIC) and delivered to the Authority in October 2015.

As a result, the Authority will be working on implementing elements of the recommendations identified in the CRTP during fiscal year 2017 and 2018.

Requests for Information

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 Reinald G. Ledoux, Jr., Administrator, Brockton Area Transit Authority, 155 Court Street, Brockton, Massachusetts 02302.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2016

Assets and Deferred Outflows

Current assets:		
Unrestricted cash and short term investments (note 6)	$	2,395,554
Restricted cash (note 6)		126,264
Receivables for operating assistance:		
Commonwealth of Massachusetts and cities and towns		2,683,733
United States Department of Transportation		1,442,857
Receivables for capital grants:		
Commonwealth of Massachusetts		113,271
United States Department of Transportation		93,804
Other accounts receivable, net		247,002
Other current assets		154,338
Total current assets		7,256,823
Noncurrent assets:		
Capital assets (note 8):		
Land		863,587
Transfer center and maintenance facility		15,923,397
Buses, fareboxes and support vehicles		24,605,338
Miscellaneous equipment		5,588,963
Less accumulated depreciation		(28,711,750)
Total capital assets, net		18,269,535
Receivable from cities and towns		940,730
Total noncurrent assets, net		19,210,265
Total assets		26,467,088
Deferred outflows of resources related to pensions (note 9)		127,263
Total assets and deferred outflows of resources	$	26,594,351

Liabilities and Deferred Inflows

Current liabilities:		
Accounts payable and accrued expenses	$	491,760
Due to operators (note 5)		1,387,436
Accrued interest		41,077
Total current liabilities		1,920,273
Long-term liabilities:		
Unearned revenue (note 7)		755,888
Notes payable (note 3)		5,750,000
Net pension liabilities (note 9)		523,440
Total liabilities		8,949,601
Deferred inflows of resources related to pensions (note 9)		103,778
Total liabilities and deferred inflows of resources	$	9,053,379

Net Position

Net investment in capital assets	$	18,269,535
Restricted		126,264
Unrestricted		(854,827)
Commitments and contingencies (note 11)		
Total net position	$	17,540,972

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016

Operating revenues:		
Passenger fares	$	3,809,716
Reimbursement of maintenance		78,540
Facility and parking income		111,386
Advertising		95,273
Miscellaneous		11,859
Total operating revenues		4,106,774
Operating expenses:		
Transportation services		11,174,182
Materials, supplies, and maintenance		1,496,894
Insurance		880,344
Professional and management services		731,638
Marketing and advertising		31,608
Administrative and general		1,091,583
Total operating expenses, excluding depreciation		15,406,249
Depreciation		3,249,846
Total operating expenses, including depreciation		18,656,095
Operating loss		(14,549,321)
Nonoperating revenues (expenses):		
Local assessments		2,784,505
Contract assistance (note 4):		
Federal		1,585,886
Commonwealth of Massachusetts		6,983,107
Interest income		16,363
Interest expense		(42,558)
Total nonoperating revenues		11,327,303
Loss before capital grants		(3,222,018)
Capital grants:		
Federal grants		812,899
Commonwealth of Massachusetts grant		651,041
Total capital grants		1,463,940
Decrease in net position		(1,758,078)
Net position, beginning of year		19,299,050
Net position, end of year	$	17,540,972

See accompanying notes to financial statements.

BROCKTON AREA TRANSIT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2016

Cash flows from operating activities:		
Passenger fares	$	3,809,716
Other cash receipts		330,989
Payments to operators		(11,511,200)
Payments to other vendors		(3,177,313)
Net cash used in operating activities		(10,547,808)
Cash flows from noncapital financing activities:		
Proceeds from sale of revenue anticipation notes		5,750,000
Principal paid on revenue anticipation notes		(5,880,000)
Contract assistance		10,481,110
Interest paid on revenue anticipation notes		(55,217)
Net cash provided by noncapital financing activities		10,295,893
Cash flows from capital and related financing activities:		
Receipt from capital grants		2,028,259
Purchase of capital assets		(2,078,812)
Proceeds from sale of fixed assets		6,764
Net cash used in capital and related financing activities		(43,789)
Cash flow from investing activity:		
Interest income		16,363
Net cash provided by investing activity		16,363
Net decrease in unrestricted cash and short term investments and restricted cash		(279,341)
Unrestricted cash and short term investments and restricted cash, beginning of year		2,801,159
Unrestricted cash and short term investments and restricted cash, end of year	$	2,521,818
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(14,549,321)
Adjustments:		
Depreciation		3,249,846
Gain on sale of fixed assets		(6,764)
Changes in assets and liabilities:		
Other accounts receivable and other current assets		40,695
Payables and accrued expenses		76,610
Due to operators		614,999
Other		26,127
Net cash used in operating activities	$	(10,547,808)
Supplemental information:		
Increase in accounts payable attributable to capital assets	$	5,496

See accompanying notes to financial statements.

(1) The Authority and Operations

The Brockton Area Transit Authority (the Authority) was established on September 30, 1974 by the City of Brockton pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth of Massachusetts (the Commonwealth) to provide transit services to the City of Brockton and the surrounding region.

The following towns are also members of the Authority:

Town	Date of membership
Avon	August 1976
Stoughton	November 1977
Bridgewater	December 1985
East Bridgewater	May 1986
Abington	May 1987
West Bridgewater	April 1988
Whitman	December 1991
Easton	April 1992
Rockland	January 2009
Hanson	November 2013

(2) Summary of Significant Accounting Policies

(a) Reporting Entity and Basis of Accounting

In accordance with the requirements of the Governmental Accounting Standards Boards (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the financial statements present the Authority (the primary government) and its component units. Pursuant to this criteria, no component units were identified for inclusion in the accompanying financial statements. Additionally, the Authority is a component unit of the Massachusetts Department of Transportation (MassDOT), and its financial statements are incorporated into the financial statements of the MassDOT.

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions by and on behalf of the Authority, the reporting entity. The Authority accounts for its operations as an enterprise fund. Operating revenues and expenses result from the Authority providing transit services to its member communities. All other revenues and expenses are classified as nonoperating revenues and expenses.

The Authority has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires that certain assets, primarily investments, and liabilities be recorded at fair value as well as establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the reporting date.

(b) Capital Assets

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method over the economic useful life of ten to thirty years for the transfer center and maintenance facility, five to twelve years for buses and support vehicles, twelve years for fareboxes, and three to ten years for miscellaneous equipment.

(c) Unearned Revenue

Unearned revenue arises when assets are recorded before eligibility requirements have been met.

(d) Unrestricted Cash and Short Term Investments

The Authority generally considers all highly liquid, temporary cash investments with original maturities of three months or less to be short term investments.

(e) Reimbursed Cost of Service

The legislative act under which the Authority was established provides, among other things, that the Commonwealth reimburses the Authority for the "net cost of service", as defined. A portion of the amount not reimbursed is then assessed to the city and towns constituting the Authority. The "net cost of service", as defined, does not include a charge for depreciation. It does, however, include debt service payments made in connection with long-term indebtedness. For financial reporting purposes, the Authority follows the generally accepted accounting method of depreciating the cost of property over its economic useful life.

(f) Capital Grants

The Authority receives capital grants from certain governmental agencies (note 4) to be used for various purposes connected with the planning, modernization, and expansion of transportation facilities and equipment.

(g) Pensions

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

(h) 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 equal to $1.00 per share. MMDT has no redemption restrictions.

In fiscal year 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application*. These statements require that certain assets, primarily investments, and liabilities be recorded at fair value.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(j) 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 debt attributed to the acquisition, construction or improvement of the asset.
- **Restricted net position** consists when constraints placed on net position use are either externally imposed 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.

(3) Notes Payable

At June 30, 2016, the Authority had $5,750,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 0.5636% and are due August 5, 2016.

	Outstanding at June 30, 2015	Issued	Retired	Outstanding at June 30, 2016
0.4210% revenue anticipation note	$ 5,880,000	—	(5,880,000)	—
0.5636% revenue anticipation note	—	5,750,000	—	5,750,000
Total	$ 5,880,000	5,750,000	(5,880,000)	5,750,000

Subsequent to year-end, the Authority retired $5,750,000 of the notes outstanding at year-end. The retirement was financed by the borrowing of $5,900,000 of revenue anticipation notes with a weighted average net interest cost of 0.79%, and are due August 4, 2017.

(4) Grants

Under Sections 5307 and 5309 of the Transportation Equity Act of the 21st Century of 1998 (the 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 state and local funds.

The Authority is also eligible for grants for operating or contract assistance from the United States Department of Transportation. Pursuant to Section IX of the Act, as amended, the federal government may fund up to 50% of the Authority's net cost of service, as defined. Such funds for fiscal year 2016 amounted to $1,299,189.

In addition, for the year ended June 30, 2016, the Authority recognized $165,000 of federal assistance for the Jobs Access Reverse Commute Program and the Authority recognized $121,697 of federal assistance for the Jobs Access Reverse Commute/New Freedoms Program for new service provided.

The Commonwealth of Massachusetts provides for operating assistance to cover a portion of the Authority's net cost of service.

(5) Due to Operators

The balance at June 30, 2016 of $1,387,436 includes parts and supplies inventories purchased by the operators for use in the Authority's buses and is stated at lower of cost or market.

(6) Unrestricted Cash, Restricted Cash, and Short Term Investments

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

(a) Restricted cash

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

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. As of June 30, 2016, the bank balances of uninsured and uncollateralized deposits totaled $247,078.

(c) 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 agreement guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the MMDT.

(d) Interest Rate Risk

As of June 30, 2016, 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, 2016 was $2,283,408, and its average maturity is less than one year.

(e) Credit Risk

As of June 30, 2016, the Authority's investment in the state investment pool, MMDT, was not rated.

(f) 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.

(g) Liquidity

MMDT does not place any limitations or restrictions on participant withdrawals.

(7) Unearned Revenue, Including Extraordinary Reserve and Stabilization Fund

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 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 of $538,381 (which represents approximately 19% of the applicable local assessment of $2,784,505) is included in unearned revenue in the accompanying statement of net position.

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. The Authority maintains a stabilization fund in the amount of $193,219, which is included in unearned revenue in the accompanying statement of net position.

(8) Capital Assets

Capital assets consisted of the following at June 30, 2016:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Land	$ 863,587	—	—	863,587
Total capital assets not being depreciated	863,587	—	—	863,587
Capital assets being depreciated:				
Transfer center and maintenance facility	15,909,351	18,817	4,771	15,923,397
Buses, fareboxes and support vehicles	23,403,166	1,702,424	500,252	24,605,338
Miscellaneous equipment	5,408,306	363,067	182,410	5,588,963
Total capital assets being depreciated	44,720,823	2,084,308	687,433	46,117,698
Less accumulated depreciation for:				
Transfer center and maintenance facility	9,530,471	556,072	4,771	10,081,772
Buses, fareboxes and support vehicles	12,509,352	2,168,964	500,252	14,178,064
Miscellaneous equipment	4,109,514	524,810	182,410	4,451,914
Total accumulated depreciation	26,149,337	3,249,846	687,433	28,711,750
Total capital assets being depreciated, net	18,571,486	(1,165,538)	—	17,405,948
Capital assets, net	$ 19,435,073	(1,165,538)	—	18,269,535

(9) Pension Plan

The Authority is a participant in the Brockton Contributory Retirement System (the System). The System is a contributory defined benefit plan, as established by MGL Chapter 32 covering all City of Brockton Retirement System member unit employees deemed eligible by the retirement board. The Retirement System is governed by a five-member board.

The System qualifies as a cost-sharing multiple employer plan since pension obligations exist for employees of more than one employer and plan assets can be used to pay the benefits of the employees of any employer. Member units are the City of Brockton, Brockton Housing Authority, Brockton Redevelopment Authority, and the Brockton Area Transit Authority. Each employer contributes into the plan annually as determined by the Public Employee Retirement Administration Commission (PERAC). Please see the section below entitled "Contributions" for more information.

The System issues a publicly available report that can be obtained by submitting a request to the System at 1322 Belmont Street, #101, Brockton Massachusetts 02301.

Benefits provided. The System provides retirement, disability, and death benefits. The retirement allowance is determined as a product of the participant's Benefit Rate times Average Salary times Creditable Service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary (for employees hired prior to April 2, 2012) or 80% of the member's highest five year average (for employees hired on or after April 2, 2012). The benefit rate also varies with the member's retirement age and group classification (see below). Members may elect to receive their retirement allowances in one of three forms of payment (Options A, B, and C) per MGL Chapter 32.

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

Contributions. Member contributions vary depending on the most recent date of membership. Members who entered the system prior to January 1, 1975 contribute 5% of regular compensation. Members who entered on or after January 1975 but prior to January 1, 1984 contribute 7% of regular compensation. Members who entered on or after January 1, 1984 but prior to July 1, 1996 contribute 8% of regular compensation. Members who entered on or after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined on or after January 1, 1979 are required to make extra contributions equal to 2% of all compensation exceeding $30,000 annually.

While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year. PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

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

The System's net pension liability was measured as of December 31, 2015 (i.e. the measurement date as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

As of the measurement date the System reported a net pension liability of $238,432,546 resulting in the Authority reporting a liability of $523,440 for its proportionate share of the net pension liability in its June 30, 2016 Statement of Net Position. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the pension plan relative to the actual contributions of the participating employers.

The Authority's proportion was 0.219534% for the current fiscal year and 0.251701% for the prior fiscal year.

For the June 30, 2016 financial statements, the Authority recognized pension expense of $68,379 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Change of assumptions	$ 24,774	—
Net difference between projected and actual earnings on pension plan investments	81,969	—
Difference between expected and actual experience	20,520	—
Changes in Authority's proportionate share of contributions	—	103,778
Total	$ 127,263	103,778

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

Year ended June 30:	
2017	$ 7,838
2018	7,838
2019	7,838
2020	3,633
2021	(3,662)

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, except as noted below, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Based on years of service, ranging from 3.75% to 7.00%
Investment rate of return	8.00%

The mortality rates applicable to nondisabled participants were based on the RP-2000 Mortality Table projected generationally with Scale BB for males and females. Disabled retirees used the RP-2000 Mortality Table set forward two years for all disabled members.

The actuarial assumptions used in the January 1, 2016 valuation based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2015.

The long-term expected rate of return on System investments was determined using a best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the System's target asset allocation as of December 31, 2015 are summarized in the following table:

Asset class	Long-term expected real rate of return
Equity	8.46%
Fixed income	1.83
Alternatives	7.92

Discount rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the pattern of contributions observed over the last five years. During that period, the employers contributed 100% of the cumulative recommended contribution level. Accordingly, the System's fiduciary net position was projected assuming that 100% of future recommended contribution levels will be contributed. Based on those assumptions, System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8.00%, 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 (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
The Authority's proportionate share of the net pension liability	$ 658,241	523,440	408,463

Pension plan fiduciary net position. Detailed information about the System's fiduciary net position is available in the separately issued City of Brockton Contributory Retirement System report.

(10) Other Postemployment Benefit (OPEB) Disclosures

In June 2012, the Authority established an Other Post-Employment Benefits (OPEB) Irrevocable Trust. The trust was established for the sole purpose of providing for the advance funding of future costs of retired employee health insurance and other benefits provided to retirees. The balance of the trust at June 30, 2016 was $457,374 and is comprised of 63% fixed income mutual funds and 37% cash and cash equivalents.

(a) Benefits Provided

The Authority provides comprehensive medical insurance offered through Blue Cross Blue Shield of Massachusetts to retirees meeting the eligibility criteria as defined in the trust and their covered dependents.

(b) Funding Policy

Employees with less than 25 years of credible service pay 50% of medical premiums; employees with 25 years or more of credible service pay 25% of medical premiums.

(c) Annual OPEB Costs 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. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortizes the unfunded actuarial liability over a period not to exceed 30-years. For the years ended June 30, 2016, 2015, and 2014, the Authority contributed at least 100% of the ARC. The ARC and any accumulated differences between the ARC and the amount paid was not material to the financial statements.

(d) Funded Status and Funding Progress

The funded status of the Authority's other postemployment benefit as of June 30, 2016 is as follows.

Actuarial accrued liability (AAL)	$	570,553
Actuarial value of plan assets		457,374
Unfunded actuarial accrued liability (UAAL)	$	113,179
Funded ratio (actuarial value of plan assets/AAL)		80.2%
Covered payroll (active plan members)	$	454,686
UAAL as a percentage of covered payroll		24.9%

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 ARCs of the Authority are subject to continual revision

(Continued)

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 that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(e) Actuarial Methods and Assumptions

In the June 30, 2016 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 3.50% investment rate of return and projected salary increases of 3.00%. Both the pre-retirement and post-retirement mortality are represented by the RP-2000 mortality table projected generationally with scale BB and base year of 2009 for males and females. The initial annual health care cost trend rate of 6.0% decreased to a 5.5% long-term trend rate for all health care benefits in fiscal 2014 and thereafter. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of Pay-As-You-Go-Funding basis. The remaining amortization period at June 30, 2016 was 25 years.

The previous actuarial valuation (June 30, 2014) utilized the projected unit credit actuarial cost method with a 4.0% investment rate of return. The impact of these actuarial changes along with adopting a more conservative mortality table increased the AAL by approximately $140,000.

(f) OPEB Investment Valuation

The actuarial value of assets was determined using fair value of investments.

(11) Commitments and Contingencies

The Authority is party to claims in the normal course of business. Management believes that there is no significant liability associated with these claims.

The Authority has received capital and operating financial assistance from federal and state agencies in the form of grants. Funds spent under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. There were no known disallowances in the fiscal year ended June 30, 2016.

(12) 810 CMR 53.03(2) Disclosure (Unaudited)

The Administrator (CEO), date of hire of July 7, 1980, compensation for fiscal year 2016 was $131,229. The Administrator receives a family health insurance plan and contributes 25% of the cost of the premium.

The Chief Financial Officer (CFO), date of hire of February 15, 1999, compensation for fiscal year 2016 was $90,034. The CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

Advisory Board members and officers do not receive compensation.

(13) Subsequent Events

The Authority has evaluated events subsequent to June 30, 2016 through October 11, 2016, the date the financial statements were available for issuance, and determined that other than the RAN refinancing discussed in note 3, there are no material items that would require recognition or disclosure in the Authority's financial statements.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information (unaudited)

Schedule of Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

		2016	2015
Authority's proportion of the net pension liability		0.21953%	0.25170%
Authority's proportionate share of the net pension liability	$	523,440	459,550
Authority's covered employee payroll		495,684	361,871
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		105.6%	127.0%
Plan fiduciary net position as a percentage of total pension liability		60	67

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

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information (unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years*

		2016	2015
Authority's contractually required contribution	$	42,348	48,553
Authority's contributions in relation to the contractually required contribution		42,348	48,553
Contribution deficiency (excess)	$	—	—
Authority's covered-employee payroll	$	495,684	361,871
Contributions as a percentage of covered-employee payroll		9%	13%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

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

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

See accompanying independent auditors' report.

BROCKTON AREA TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information (unaudited)

Schedule of Funding Progress – OPEB Benefits

Actuarial valuation		Actuarial value of assets (a)	Actuarial accrued liability (AAL) – entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/(c))
June 30, 2016	$	457,374	570,553	113,179	80.2%	454,686	24.9%
June 30, 2015*		293,858	367,323	73,465	80.0	472,991	15.5
June 30, 2014		168,517	447,667	279,150	37.6	459,215	60.8
June 30, 2013		—	403,896	403,896	—	406,000	99.5

* represents information from the June 30, 2014 valuation updated through June 30, 2015.

See accompanying independent auditors’ report.

Schedule 1

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Supplemental Schedule of Net Cost of Service

Year ended June 30, 2016

		Total urbanized area service
Operating costs:		
Operating and administrative costs (excluding depreciation)	$	1,263,688
Purchased services:		
Fixed route		10,492,163
Demand response		3,650,398
Debt service – interest expense		42,558
Total operating costs		15,448,807
Federal operating assistance:		
Federal Transportation Administration operating and administrative		1,299,189
Other Federal		286,697
Total federal operating assistance		1,585,886
Revenues:		
Operating:		
Farebox revenue		2,781,614
Service and other third-party reimbursements		1,106,642
Other revenue:		
Advertising		95,273
Facility and parking income		111,386
Interest income		16,363
Miscellaneous		11,859
Total revenues		4,123,137
Net operating deficit		9,739,784
Adjustment:		
MAP vehicle options and miscellaneous		27,828
Net cost of service		9,767,612
Net cost of service funding:		
Local assessments		2,784,505
State contract assistance		6,983,107
Subtotal state contract assistance to be funded		—
Balance requested from the State on June 30, 2016	$	—

See accompanying independent auditors’ report.

Schedule 2

BROCKTON AREA TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Supplemental Schedule of Net Cost of Service – Calculation Worksheet

Year ended June 30, 2016

Proof calculations and other required information:

A.	Prior year operating expenses, net of fully funded costs brokerage service	$	15,070,117
	Allowable percentage increase		2.5%
	Prior year net operating expense times 2.5%		376,753
	Current year allowable net operating expense	$	15,446,870
B.	Extraordinary expenses	$	—
	Current year local assessment		2,784,505
	Percentage of extraordinary to prior year local assessment (not to exceed 3%)		—%
C.	Aggregate amount of reserve account at June 30	$	538,381
	Current year local assessment		2,784,505
	Percentage of reserve account to prior year local assessment (not to exceed 20%)		19.33%
D.	State the management fee paid to major service providers as a percentage of operating costs incurred		1.27%
E.	State the percentage of benefits paid by BAT on behalf of BAT employees for:		
	Group life and accidental death insurance		100
	Group health insurance		75
F.	State the brokerage service contracts' costs as a percentage of total operating costs		—
G.	Stabilization fund:		
	Current year	$	—
	Aggregate balance		193,219

See accompanying independent auditors' report.