

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)

Financial Statements
and
Independent Auditors' Reports

June 30, 2017

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Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Montachusett Regional Transit Authority (“the Authority”), a component unit of the Massachusetts Department of Transportation, which comprise the statement of net position at June 30, 2017, 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, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2017, and the changes in net position and cash flows for the 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 on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented on page 30 for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of net cost of service on page 14 and the supplementary information presented on pages 26 through 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.
September 30, 2017

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

The following is the Management Discussion and Analysis (“MD&A”) of the financial statements of the Montachusett Regional Transit Authority (“the Authority”), located at 1427R Water Street, Fitchburg, Massachusetts as presented. This MD&A is prepared by the Administrator, Mohammed H. Khan. The management discussion and analysis of the Authority’s financial performance provides an overall review of the Authority’s financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the Authority’s financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Authority’s financial performance.

Financial Highlights:

- With additional capital funds provided to MART by MassDOT during FY2017, the Authority was able to expand and complete its Underground Storage Tank replacement at the Water Street facility two years ahead of the MassDEP statewide mandated 2019 deadline. Additionally, the MassDOT capital funds were used to deploy a keyless security door lock system at all facilities, replace the thirty year old original roof over the administrative offices at Water Street and purchase new vehicle lifts for the maintenance department.
- Through utilization of various state and federal capital grants, the Authority experienced a net decrease in expenditures for electric and gas utilities from the prior FY2016 of over \$4,000 through the replacement of HVAC systems at both its Water Street and 100 Main Street facilities. Additionally, the installation of large fan driven de-stratification systems at all three of our vehicle storage facilities will significantly decrease heating costs. The reduced expenditures should increase in FY2018 as the systems will all be online for the entire fiscal year. Additionally, MART is deploying a facilities master control system which will allow all networkable devices and building systems to be controlled remotely through the network.
- In addition the Authority has moved aggressively forward on the cost reduction program of communication and telephony expenses. The cost saving from prior FY2016 was \$100,208, the Authority will continue its efforts to reduce costs in FY2018.
- Through a contract with the Commonwealth of Massachusetts’ Executive Office of Health and Human Services (EOHHS), the Authority increased its brokerage services revenue from \$121,968,781 in FY2016 to \$137,407,386 in FY2017, a 13% increase.
- The Authority was able to continue to obtain a favorable interest rate for borrowing on its Revenue Anticipation Note of 1.1071% in August 2017, compared to .735% for the prior year note.
- The amount of the Authority’s Federal 5307 funds used for operations was \$2,400,000 in FY2017. These funds were allocated directly from the Formula funds and used toward urban area and ADA operations.

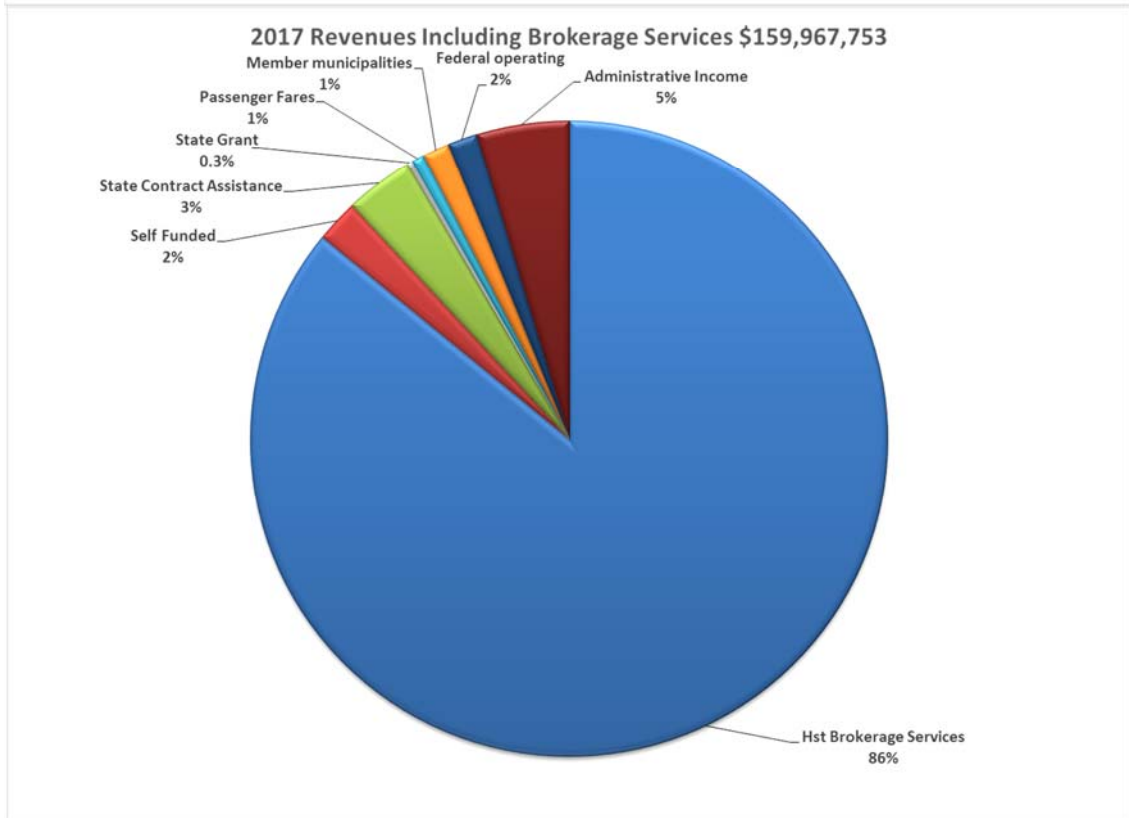
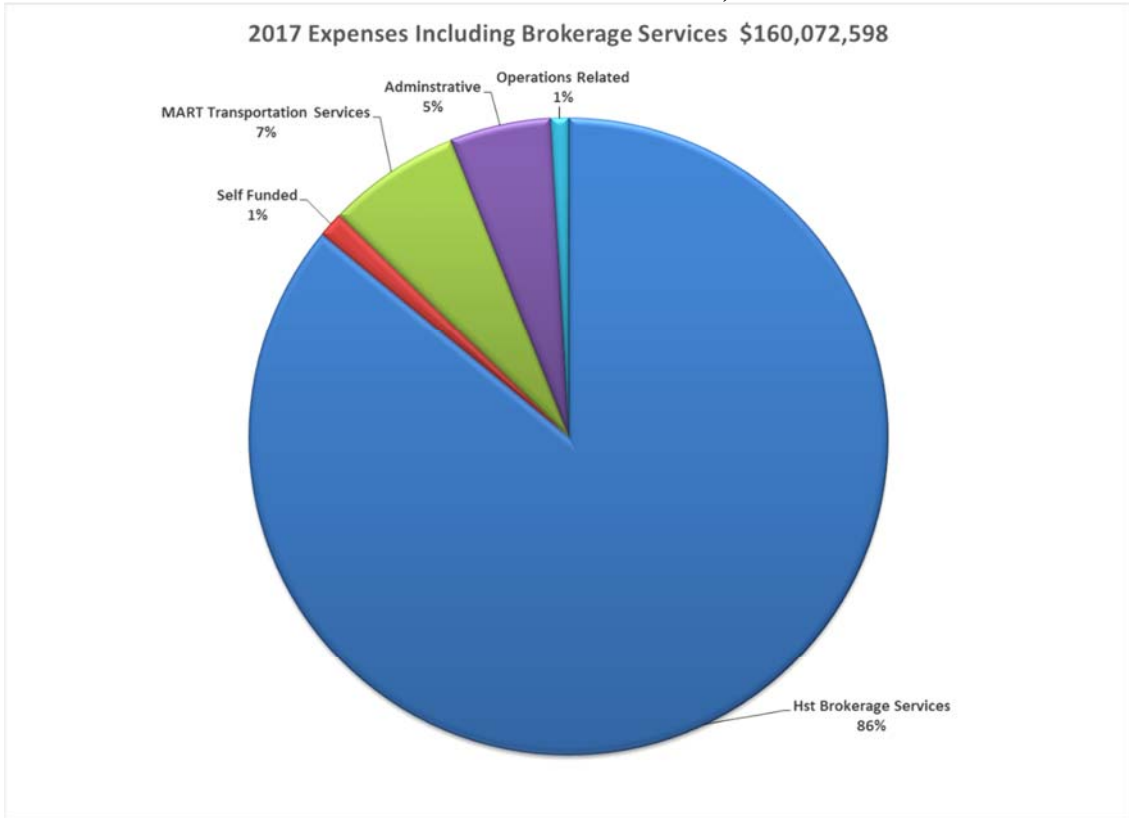
Overview of Financial Statements:

The Authority was established on August 7, 1978, by the cities of Fitchburg, Leominster and Gardner, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth of Massachusetts to provide transit services to the communities of Fitchburg, Leominster and Gardner beginning July 30, 1979. Currently, the Authority is comprised of 22 communities listed in Note A of the financial statements.

The financial statements are general purpose and the notes thereto are considered as an integral part. This report also includes supplementary information including breakdowns of revenues and expenses by service types and an allocation of costs to member communities.

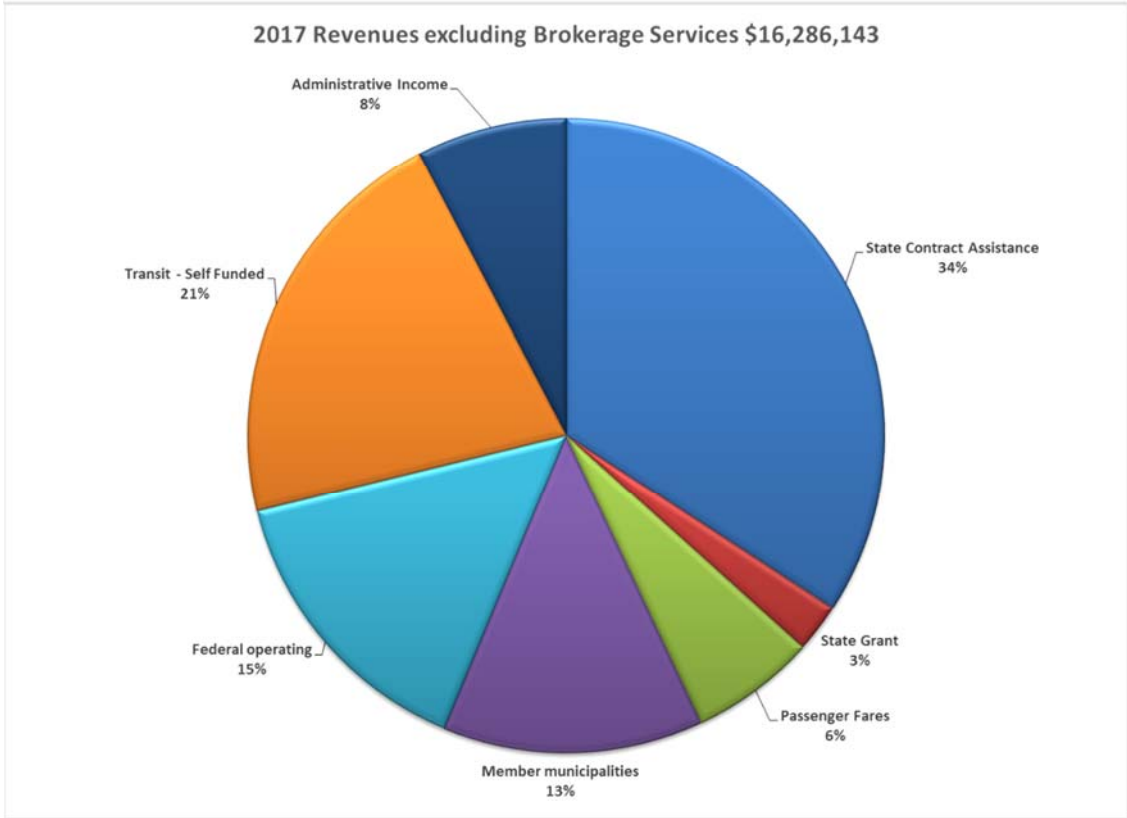
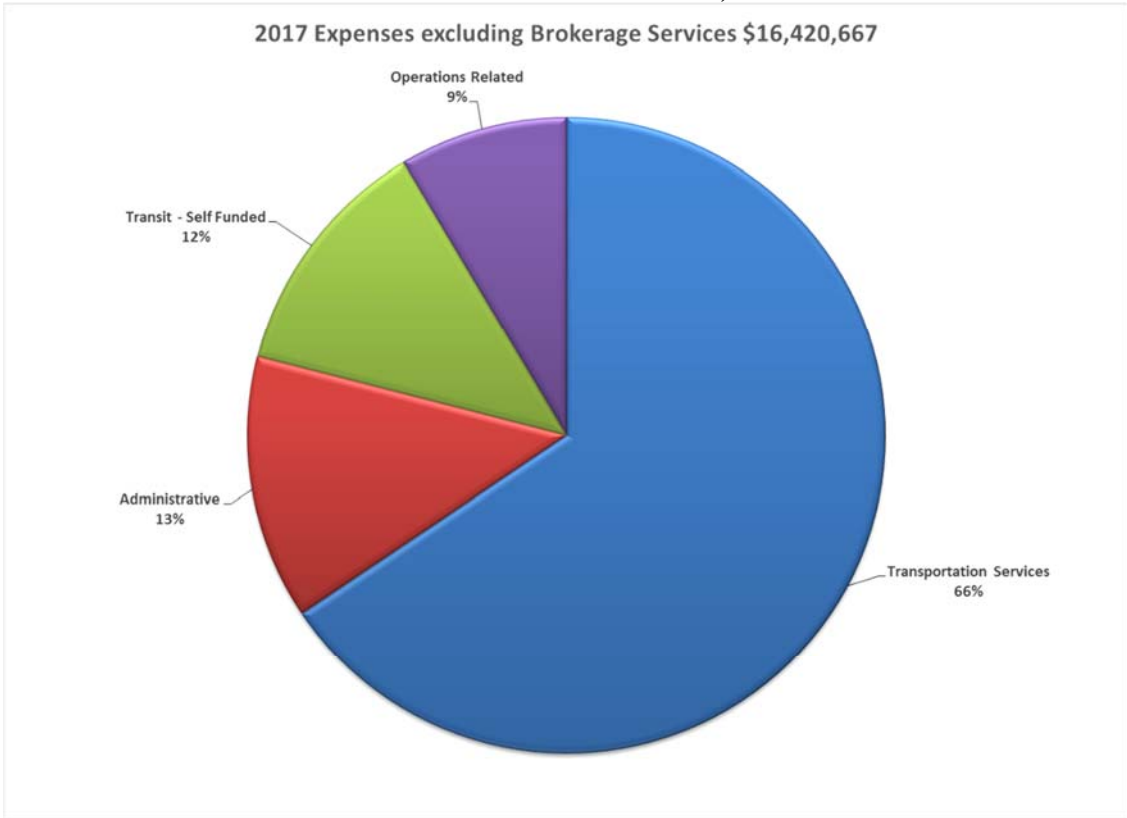
As seen in the following charts a large percentage of service the Authority provides is through its brokerage services, a self (fully) funded program which requires no funds outside of the program funds paid by the Human Services Transportation Agency (HST) with the understanding that HST continues with its cost savings incentive programs and brokerage management fees.

**Montachusett Regional Transit Authority
 (A Component Unit of Massachusetts Department of Transportation)
 Management Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2017**



These charts reflect the net cost of service as presented on page 14.

**Montachusett Regional Transit Authority
 (A Component Unit of Massachusetts Department of Transportation)
 Management Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2017**



These charts reflect the net cost of service as presented on page 14.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Government Financial Analysis

The table below provides a summary of the Authority's net position for 2017 and 2016.

	<u>2017 Business- type Activities</u>	<u>2016 Business - type Activities</u>
<u>Assets</u>		
Current assets	\$ 30,223,477	\$ 28,845,329
Capital assets	<u>48,549,192</u>	<u>50,613,343</u>
Total assets	<u>78,772,669</u>	<u>79,458,672</u>
<u>Liabilities</u>		
Long-term liabilities	423,336	476,669
Other liabilities	<u>39,906,223</u>	<u>38,327,061</u>
Total liabilities	<u>40,329,559</u>	<u>38,803,730</u>
<u>Net Position</u>		
Invested in capital assets, Net of related debt	48,072,523	50,083,341
Unrestricted deficit	<u>(9,629,413)</u>	<u>(9,428,399)</u>
Total net position	<u>\$ 38,443,110</u>	<u>\$ 40,654,942</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the Authority's assets exceeded liabilities by \$38,443,110.

Capital assets reported on the government-wide statements represent the largest portion of the Authority's net assets. As of June 30, 2017, capital assets represented 62% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2017, were \$48,072,523. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2017 and 2016

Change in Net Position:

The table below shows the change in net position for fiscal years 2017 and 2016.

	2017	2016	Change
Operating Revenues			
Transportation Revenue-HST Brokerage	\$ 137,407,386	\$ 121,968,781	\$ 15,438,605
Transportation Revenue-Self Funded	3,454,860	46,868	3,407,992
Transportation Revenue-Urban/Rural Service	1,037,434	4,753,943	(3,716,509)
Total Operating Revenues	<u>141,899,680</u>	<u>126,769,592</u>	<u>15,130,088</u>
Non-Operating Revenues			
Federal	2,400,000	2,333,325	66,675
Commonwealth of Massachusetts	5,968,632	5,968,629	3
Member Municipalities	2,156,690	2,006,825	149,865
Interest Income	20,542	13,395	7,147
HST Management Fee	6,274,228	6,327,258	(53,030)
Other Income, net	1,247,989	1,073,013	174,976
Total Non-Operating Revenues	<u>18,068,081</u>	<u>17,722,445</u>	<u>345,636</u>
Total Revenues	<u>159,967,761</u>	<u>144,492,037</u>	<u>15,475,724</u>
Operating expenses			
Transportation Expense-HST Brokerage	137,471,980	121,916,787	15,555,193
Transportation Expense-Self Funded	2,047,678	44,213	2,003,465
Transportation Expense-Urban/Rural Service	10,766,727	12,537,800	(1,771,073)
Administrative	9,379,071	9,439,730	(60,659)
Depreciation and Amortization	4,668,616	4,441,729	226,887
Total Operating Expenses	<u>164,334,072</u>	<u>148,380,259</u>	<u>15,953,813</u>
Non-Operating Expenses			
Interest Expense	169,322	163,636	5,686
	<u>169,322</u>	<u>163,636</u>	<u>5,686</u>
Total Expenses	<u>164,503,394</u>	<u>148,543,895</u>	<u>15,959,499</u>
Loss Before Capital Grants	(4,535,633)	(4,051,858)	(483,775)
Capital Grants	<u>2,323,801</u>	<u>3,576,801</u>	<u>(1,253,000)</u>
Change in Net Position	(2,211,832)	(475,057)	(1,736,775)
Net Position - Beginning of Year	<u>40,654,942</u>	<u>41,129,999</u>	<u>(475,057)</u>
Net Position - End of Year	<u>\$ 38,443,110</u>	<u>\$ 40,654,942</u>	<u>\$ (2,211,832)</u>

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Capital Assets:

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Disposals / Transfers</u>	<u>Ending Balances</u>
Land and Land Improvements	\$ 4,780,040	\$ -	\$ -	\$ 4,780,040
Depreciable Properties:				
Building/Improvements Fitchburg Parking	11,932,139	131,894	-	12,064,033
Building/Improvements Fitchburg Intermodal	4,312,964	239,132	-	4,552,096
Building/Improvements Leominster Parking Lot	12,468,292	6,380	-	12,474,672
Building/Improvements Leominster Storage	6,629,743	28,376	-	6,658,119
Building/Improvements Fitchburg Maintenance	9,827,598	195,387	-	10,022,985
Building/Improvements Gardner Maintenance	7,834,187	51,432	-	7,885,619
Improvements Wachusett Rail	-	948,352	-	948,352
Building/Improvements Athol Maintenance	17,542	-	-	17,542
Other Fixed Assets	1,983,387	7,097	-	1,990,484
Systems Development	3,007,634	45,778	-	3,053,412
Transportation Equipment	21,291,188	957,132	(1,497,108)	20,751,212
	<u>79,304,674</u>	<u>2,610,960</u>	<u>(1,497,108)</u>	<u>80,418,526</u>
Less Accumulated Depreciation For:				
Building/Improvements Fitchburg Parking	(3,990,335)	(399,409)	-	(4,389,744)
Building/Improvements Fitchburg Intermodal	(2,547,082)	(186,917)	-	(2,733,999)
Building/Improvements Leominster Parking Lot	(3,032,121)	(523,207)	-	(3,555,328)
Building/Improvements Leominster Storage	(1,672,400)	(251,597)	-	(1,923,997)
Building/Improvements Fitchburg Maintenance	(6,996,114)	(360,276)	-	(7,356,390)
Building/Improvements Gardner Maintenance	(1,888,872)	(289,427)	-	(2,178,299)
Improvements Fitchburg Rail	-	-	-	-
Improvements Wachusett Rail	-	(16,015)	-	(16,015)
Building/Improvements Athol Maintenance	(1,941)	(1,353)	-	(3,294)
Other Fixed Assets	(1,798,730)	(67,182)	-	(1,865,912)
Systems Development	(1,009,647)	(572,022)	-	(1,581,669)
Transportation Equipment	(12,696,799)	(2,001,211)	1,478,202	(13,219,808)
	<u>(35,634,041)</u>	<u>(4,668,616)</u>	<u>1,478,202</u>	<u>(38,824,455)</u>
Net Depreciable Property	43,670,633	(2,057,656)	(18,906)	41,594,071
Construction In Progress	2,162,670	11,011	-	2,173,681
Fixed Assets in Process	-	1,400	-	1,400
Net Capital Assets	<u>\$ 50,613,343</u>	<u>\$ (2,045,245)</u>	<u>\$ (18,906)</u>	<u>\$ 48,549,192</u>

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

In 2017 the Authority replaced/reengineered the HVAC system at the Administrative/Maintenance Facility at 1427R Water Street in Fitchburg. This project was accomplished through funding awarded by FTA's TIGGER II program. MART has one more energy conservation project, instituting environmental controls, which will be completed in early FY2018 as the TIGGER grant will sunset on September 30, 2017.

MART procured five para-transit vans with our Section 5307 funds and two mini-buses with a Section 5339 sub-recipient award from MassDOT, which freed up 5307 funds for other needs. MART was also awarded 5339 funds thru MassDOT's Community Transit Grant program which allowed us to receive five additional para-transit vans.

\$100,000 in 5307 and RTACAP funds was spent on miscellaneous support equipment which included computers and mobile vehicle lifts. A number of rehabilitation projects were completed at various facilities using a combination of 5307 and FY2017 RTACAP funds. These projects included sealing the decks and CMU Walls and painting the stairwells at the Fitchburg Parking Garage; completing the CMU Walls and stairs at the Leominster Parking Garage, replacing the roof over the north pod of the Intermodal, demolition of the "white house" on the Carey Street property and clearing of trees in the Water Street back lot, and completing the Water Street garage door and sand shed projects which began in FY2016. Two other large rehab projects began in FY2017 and will complete in FY2018: the underground fuel storage tanks (UST) were dug up and replaced and all the old pavement around the Water Street facility will be repaved as well as expansion of pavement where the structure was demolished.

Additional FY2017 RTACAP funds were added to the UST project to create a 70/30 split. MART also received more RTACAP funds at 100% to replace the roof above the administrative office area of the Water Street facility as well as install keyless door locks at all of our facilities (except Athol). Very late in the fiscal year, MART received additional 100% RTACAP funds to spend on additional keyless locks, equipment, and vehicle part items.

The Authority also procured the services of an A&E firm to design the Ayer Commuter Rail Parking Lot project. We were able to complete Phase 1 and begin Phase 2 (Preliminary Design) before the end of the year. The real-estate in Ayer was not procured for various reasons, however the conceptual design was able to accomplish what was needed without the additional land.

Budgetary Highlights:

Difference between the budgeted amounts and the actual amounts are as follows:

- The main drivers to a consolidated deficit of \$104,845 of actual to budget are due too:

The Authority's decision to honor all Council on Aging expenditures as presented by the local municipalities as a valid expenditure. The Advisory Board is aware of the fact that some municipal expenditures exceed more than 1/3 of the actual operational services that we provide to its residents. The impact is estimated +\$101,043 for FY2017

The FY2017 legal cost to represent the Authority's Transit operations was approximately \$137,000, far exceeding the average of \$50,000 to \$60,000 and our budgeted value of \$102,000. Please see Note I – Contingencies section for details.

- Overall the Authority was able to meet its budget obligations and even though there was a deficit we do not see a decrease in the Authority's ability to meet its commitments.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

Funding of the Authority:

- Expenses for all Transit services, less self-funded and the brokerage program were \$13 million, and were funded by the following:

	% of Expense	% of Funding
Authority generated revenue	18%	18%
Federal operating funds	19%	19%
Local contribution	17%	17%
Commonwealth assistance	43%	43%
State Grant	3%	3%

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Net Position
June 30, 2017

Assets

Current Assets	
Cash and Cash Equivalents	\$ 1,235,146
Receivables for Operating Assistance	
U.S. Department of Transportation	2,400,000
Commonwealth of Massachusetts and Cities and Towns Constituting the Authority	3,109,588
Receivables for Capital Grants	
U.S. Department of Transportation	838,220
Commonwealth of Massachusetts	860,683
Accounts Receivable	20,259,809
Other Current Assets	1,520,031
Total Current Assets	30,223,477
 Capital Assets	
Non Depreciable Capital Assets	6,955,121
Depreciable Capital Assets, Net of Accumulated Depreciation	41,594,071
Net Capital Assets	48,549,192
 Total Assets	 \$ 78,772,669

Liabilities and Net Position

Current Liabilities	
Accounts Payable	\$ 19,982,450
Accrued Expenses	431,284
Deferred Revenue	75,317
Revenue Anticipation Notes Payable	19,000,000
Current Portion of Long Term Debt	53,333
Accrued Interest	363,839
Total Current Liabilities	39,906,223
 Long Term Liabilities	
Long Term Debt Net of Current Portion	423,336
Total Liabilities	40,329,559
 Net Position	
Invested in Capital Assets, Net of Related Debt	48,072,523
Unrestricted Deficit	(9,629,413)
Total Net Position	38,443,110
 Total Liabilities and Net Position	 \$ 78,772,669

See accompanying notes to the Financial Statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

Operating Revenues	
Transportation Revenue - HST Brokerage	\$ 137,407,386
Transportation Revenue - Self Funded	3,454,860
Transportation Revenue - Urban/Rural Service	<u>1,037,434</u>
Total Operating Revenues	<u>141,899,680</u>
Operating Expenses	
Transportation Expense - HST Brokerage	137,471,980
Transportation Expense - Self Funded	2,047,678
Transportation Expense - Urban/Rural Service	10,766,727
Administrative (Including Brokerage Administrative)	9,379,071
Depreciation and Amortization	<u>4,668,616</u>
Total Operating Expenses	<u>164,334,072</u>
Operating Loss	(22,434,392)
Non-Operating Revenues (Expenses)	
Federal	2,400,000
Commonwealth of Massachusetts	5,968,629
Member Municipalities	2,156,690
Interest Expense	(169,322)
Interest Income	20,542
HST Management Fee	6,274,228
Other Income, Net	<u>1,247,992</u>
Total Non-Operating Revenues	<u>17,898,759</u>
Loss before Capital Grants	(4,535,633)
Capital Grants	<u>2,323,801</u>
Change in Net Position	(2,211,832)
Net Position - Beginning of the Year	<u>40,654,942</u>
Net Position - End of the Year	<u><u>\$ 38,443,110</u></u>

See accompanying notes to the Financial Statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from passenger fares and contract reimbursements	\$ 140,243,237
Cash paid to vendors	(151,186,168)
Cash paid to employees for services	(3,435,542)
Cash paid for other administrative costs	<u>(4,461,794)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(18,840,267)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES	
Proceeds from Revenue Anticipation Notes	19,000,000
Principal Payments on Revenue Anticipation Notes	(19,000,000)
Interest Payments on Revenue Anticipation Notes	(44,414)
Interest Income	20,542
Proceeds from Operating Grants	9,938,529
Proceeds from HST Management fee	6,274,228
Payment on line of credit	-
Other Income	<u>1,247,987</u>
NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>17,436,872</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Notes Payable	(53,333)
Proceeds from Capital Grants	1,972,419
Purchase of Capital Assets	<u>(1,693,769)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>225,317</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,178,078)
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,413,224</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,235,146</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:	
Operating Loss	\$ (22,434,390)
Depreciation and amortization	4,668,614
Changes in Assets and Liabilities:	
(Increase) / Decrease in Receivables	(2,594,615)
(Increase) / Decrease in Other Assets	38,389
Increase / (Decrease) in Payables	1,441,684
Increase / (Decrease) in Accrued Expenses	<u>40,051</u>
Net Cash Used for Operating Activities	<u>\$ (18,840,267)</u>

See accompanying notes to the Financial Statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Net Cost of Service
For the Year Ended June 30, 2017

	Urbanized Area Service	Rural Area Service	Other Services	HST Brokerage Services	Total Area Service
Operating Costs					
RTA Administration Costs (excluding depreciation)	\$ 3,234,901	\$ 177,029	\$ -	\$ 6,020,472	\$ 9,432,402
Purchased Services					
Fixed Route	4,450,195	114,599	-	231	4,565,025
Demand Reponse	5,694,221	532,727	-	5,083	6,232,031
Brokerage Services	-	-	-	137,626,141	137,626,141
Self Funded Services	-	-	2,047,678	-	2,047,678
Debt Service	159,096	10,225	-	-	169,321
Total Operating Costs	13,538,413	834,580	2,047,678	143,651,927	160,072,598
Federal Operating Assistance					
FTA Operating & Administrative	2,317,852	82,150	-	-	2,400,002
Other Federal	23,387	828	-	-	24,215
Total Federal Assistance	2,341,239	82,978	-	-	2,424,217
Revenues					
Transit Operating	983,239	54,195	-	-	1,037,434
Brokerage Service	-	-	-	143,681,614	143,681,614
Self Funded Services	-	-	3,454,860	-	3,454,860
Other Revenues					
Advertising	61,740	3,967	-	-	65,707
Interest Income	19,303	1,242	-	-	20,545
Miscellaneous	1,119,017	39,044	-	-	1,158,061
Total Revenues	2,183,299	98,448	3,454,860	143,681,614	149,418,221
Net Cost of Service	9,013,875	653,154	(1,407,182)	(29,687)	8,230,160
Net Cost of Service Funding					
Local Assessments	2,084,362	72,321	-	-	2,156,683
State Contract Assistance	5,378,026	590,606	-	-	5,968,632
Unreimbursed deficit	\$ (1,551,487)	\$ 9,773	\$ 1,407,182	\$ 29,687	\$ (104,845)
State Contract Assistance	\$ 5,378,026	\$ 590,606	\$ -	\$ -	\$ 5,968,632
Less: Payment made by Mass DOT prior to June 30	5,378,026	190,606	-	-	5,968,633
Balance Requested from the State	\$ -	\$ 400,000	\$ -	\$ -	\$ 400,000

See Independent Auditors' Report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note A – The Authority and Operators

The Montachusett Regional Transit Authority (“the Authority”) is a component unit of Massachusetts Department of Transportation which in turn is a component unit of the Commonwealth of Massachusetts (“the Commonwealth”) and as such the Authority’s financial information is included in the Comprehensive Annual Financial Report of the Commonwealth.

The Authority was established on August 7, 1978, by the cities of Fitchburg, Leominster and Gardner pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth of Massachusetts (“Enabling Legislation”) to provide transit services to the communities of Fitchburg, Leominster, and Gardner beginning July 30, 1979.

The following 22 cities and towns comprise the membership of the Authority:

<u>Community</u>	<u>Date of Membership</u>
Fitchburg	1978
Leominster	1978
Gardner	1978
Ashburnham	1980
Ayer	1981
Lancaster	1981
Shirley	1981
Sterling	1982
Hubbardston	1983
Littleton	1984
Royalston	1984
Templeton	1985
Ashby	1985
Winchendon	1985
Westminster	1986
Hardwick	1988
Lunenburg	1989
Harvard	2000
Bolton	2006
Boxborough	2006
Stow	2007
Athol	2013

The Authority is governed by an advisory board consisting of members from each municipality with each member having one vote plus additional votes allocated based on that municipality’s assessment in proportion to the assessment of all member municipalities.

The operation of the Authority’s fixed route transportation serving the general public is provided under the terms of an agreement whereby contracted private vendors operate mass transit service along such routes and according to such schedules as defined by the Authority. This service is supplemented by Americans with Disabilities Act (ADA) transportation using vans lift-equipped for wheelchairs as an alternative for the disabled who are unable to utilize fixed-route buses. The Authority’s buses are lift-equipped for wheelchairs. The Authority agrees to

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note A – The Authority and Operators (Continued)

reimburse the private vendors for expenses which are reasonable and necessary for the efficient operation of the service.

In Fitchburg and Leominster this service is provided by Management of Transportation Services Inc. (“MTS”). The Authority paid a management fee of \$98,345 for the year ended June 30, 2017. MTS was selected through a competitive process in 2013 for a five year period, with a procurement to be performed at the end of the five year period to select a vendor to continue the service.

In Gardner this service is provided by Management of Transportation Services of Gardner, Inc. (“MTG”). The Authority paid a management fee of \$44,802 for the year ended June 30, 2017. MTG was selected through a competitive process in 2013 for a five year period, with a procurement to be performed at the end of the five year period to select a vendor to continue the service.

The Authority also operates a para-transit transportation service for local social service agencies which is a non-fixed route service. This service is provided by Dial-A-MART Services, Inc. (“DAMS”). The services provided by DAMS include local Dial-A-Ride transportation, veteran’s shuttles to the VA facilities in eastern Massachusetts, monthly subscription services and other agency sponsored transportation services. The Authority paid a management fee of \$80,862 for the year ended June 30, 2017. Dial-A-MART Services, Inc. was selected through a competitive process in 2013 for a five year period, with a procurement to be performed at the end of the five year period to select a vendor to continue the service.

In Athol, services are provided by Management of Transportation Services of Gardner, Athol Division. The Authority paid a management fee of \$34,000 for the year ended June 30, 2017. The Athol Division was an expansion of services through MTG and will be included in the next procurement to select a vendor to continue the service.

The three transportation companies share a common ownership.

The operations of the Authority’s para-transit service targeted for elderly and handicapped individuals is provided by the local Council on Aging (“COA”) in accordance with an understanding whereby the COAs operate specialized non-fixed route service for elderly/disabled persons. In the communities of Fitchburg, Leominster, and Ashby this service is operated by Dial-A-MART Services, Inc. Management of Transportation Services, Gardner (MTG) performs this service for the city of Gardner. The Authority also reimburses member communities for reasonable and necessary expenses for the efficient operation of the COA para-transit service. The local COA’s are departments of the municipalities having membership in the Authority and their expenses are billed by and reimbursed to the member municipalities. The Authority is implementing a limit on the level of COA reimbursements for administrative expenses not to exceed one-third the cost of the operating expenses beginning in FY2018.

Brokerage programs (referred to as HST, ICO’s, self-funded or fully funded) consist of the brokerage of transportation for various human service agencies through the Human Service Transportation (HST) Office under the Commonwealth of Massachusetts’ Executive Office of Health and Human Services (EOHHS). These agencies include: MassHealth (Medicaid), Department of Public Health (DPH), Department of Developmental Services (DDS), Department of Mental Health (DMH), Massachusetts Rehabilitation Commission (MRC) and the Massachusetts Commission for the Blind (MCB); three Integrated Care Options (ICO) which are Commonwealth Care Alliance, Inc., Fallon Total Care, LLC, and Tufts-Network Health, LLC. For managing the brokered transportation programs, the Authority receives a management fee. The ICO Direct and Special Education brokered transportation programs were phased out during FY2016.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note A – The Authority and Operators (Continued)

The Authority's service area for the HST and ICO transportation programs includes the greater Pioneer Valley Area, the North and South Central areas, as well as the greater Metro Boston region. The Authority's service area for local municipal Special Education departments (SPED) was phased out in FY2016, areas covered included Fitchburg, Leominster, Gardner, Ayer/Shirley, Ashburnham and Westminster. The service is provided by private operators utilizing their own vehicles. Operators are required to bid through a formal selection process whereby the Authority reimburses them through contracted negotiated rates. The Authority provides administrative functions including: scheduling, coordination, monitoring for quality and cost control, management and vehicle inspections, safety instruction and backup services in case of emergency or special requirements. General and administrative expenses are allocated to each program. The Authority executed a six year administrative contract extension to provide brokerage services for the Human Service Transportation (HST) department effective July 1, 2014 and the renewed contract expires June 30, 2020.

There were 252 brokerage program operators for the fiscal year ended June 30, 2017. This list is provided in this report.

Note B- Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Effective July 1, 2015, the Authority adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The adoption of the pronouncements had no effect on the Authority's financial statements.

The Authority reports its financial position and results of operations as a proprietary type fund, as it is organized to be self-supporting through fees charged to external parties for goods and services. The financial statements are reported using the economic resources measurement focus and full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liabilities are incurred, regardless of the timing of cash flows. Grants are recognized as revenues as soon as qualifying expenditures have been incurred and all eligibility requirements have been met.

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:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position* results when constraints placed on net asset 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 assets, which do not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note B- Summary of Significant Accounting Policies (Continued)

Operating vs. Non-operating Revenue and Expense

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and advertising revenue. Revenue is recognized at the time service is delivered. Operating expenses include the cost of transit services and maintenance provided by third party vendors, administrative expense and insurance. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital Grants

The Authority receives capital grants from the United States Department of Transportation and the Commonwealth to be used for various purposes connected with the planning, modernization and expansion of transportation service. Pursuant to GASB Statement No. 33, "*Accounting and Financial Reporting for Non-exchange Transactions*," these grants are reflected in the accompanying statement of revenues, expenses and changes in net position as Capital Grants.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Authority considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets consist of land, construction in progress, buildings and improvements, equipment, and vehicles and are recorded at historical cost. Capital Assets with a cost in excess of \$500 are capitalized. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are expensed. Capital assets, other than land and construction in progress, are depreciated using the straight-line method over their useful lives. These lives range from five to forty years for buildings and improvements, five to twelve years for vehicles, and three to ten years for equipment. Construction in progress is transferred to building and improvements at the time the capital asset is placed in service for its intended use.

Restricted Assets

Restricted assets are restricted for the acquisition of capital assets under the terms defined in the various capital grants received by the Authority. In substantially all cases, the Authority draws down the grant funds after the vendor has been paid. Accordingly, there are no restricted assets at June 30, 2017.

Other Current Assets

Other current assets consist primarily of prepaid insurance, materials and fuel, and other prepaid expenses.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note C – Cash and Cash Equivalents

Investment Policy

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Authority's policy to mitigate these risks is to invest its funds in deposits with solvent financial institutions.

The Authority carries deposits that are insured by FDIC insurance, as well as federally uninsured deposits. As of June 30, 2017, the Massachusetts Municipal Depository Trust (MMDT) bank balance of federally uninsured deposits totaled \$454,180. The MMDT deposits are subject to the full faith and credit of the Commonwealth of Massachusetts. These deposits are invested in government securities only.

Credit Risk

The composition and amount of the Authority's cash and cash equivalents fluctuates during the fiscal year. The primary reason for the fluctuation involves the timing of proceeds of borrowings, collections of federal, state and local aid, and capital outlays made.

The Authority has defined deposit and investment policies that limit the Authority's allowable deposits or investments and address the specific types of risk to which the entity is exposed.

Note D – Grants

At June 30, 2017, under Sections 5307, 5309, 5339, and 88-GG (TIGGER) of the Federal Transit Administration ("FTA"), as amended, the U.S. Department of Transportation has current active capital grants to the Authority aggregating a remaining balance of approximately \$4.75 million. The federal government normally funds up to 80% of capital projects. However, the Authority has at times been awarded federal grant funding up to 100% for approved capital improvement projects. The remaining non-federal share may be financed through state capital grants, local capital funds, the issuance of long-term debt, and toll development credits.

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation. The contract provides that the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for FY2017 was \$5,568,629. In FY2017 the Commonwealth also provided a State Earmark of \$400,000 for para-transit services for Athol. In addition, the various cities and towns constituting the Authority contributed assistance in the amount of \$2,156,683 for FY2017.

The receivable for operating assistance includes \$552,898 from Cities and Towns constituting the Authority for previous years which are generally paid through "Cherry Sheets." Whether these amounts will eventually be funded is undeterminable. The Authority has not reserved any amount as uncollectible related to these receivables.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note E – Capital Assets

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

	Balance <u>7/1/2016</u>	<u>Additions/Transfers</u>	<u>Disposals</u>	Balance <u>6/30/2017</u>
Capital assets, not being depreciated:				
Land	\$ 4,780,040	\$ -	\$ -	\$ 4,780,040
Construction in progress	2,162,670	11,011	-	2,173,681
Fixed Assets in process	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total capital assets not being depreciated:	<u>6,942,710</u>	<u>12,411</u>	<u>-</u>	<u>6,955,121</u>
Capital assets, being depreciated:				
Buildings	53,022,465	1,600,953	-	54,623,418
Transportation Equipment	21,291,188	957,132	(1,497,108)	20,751,212
System Development	3,007,634	45,778	-	3,053,412
Other Fixed Assets	<u>1,983,387</u>	<u>7,097</u>	<u>-</u>	<u>1,990,484</u>
Total capital assets, being depreciated	79,304,674	2,610,960	(1,497,108)	80,418,526
Total accumulated depreciation	<u>35,634,041</u>	<u>4,668,616</u>	<u>(1,478,202)</u>	<u>38,824,455</u>
Total capital assets, being depreciated, net	<u>43,670,633</u>	<u>(2,057,656)</u>	<u>(18,906)</u>	<u>41,594,071</u>
Net Capital Assets	<u>\$ 50,613,343</u>	<u>\$ (2,045,245)</u>	<u>\$ (18,906)</u>	<u>\$ 48,549,192</u>

Note F – Revenue Anticipation Notes

The Authority is subsidized by the Commonwealth for its annual "Net Cost of Service" as defined in the legislation. These subsidies are now funded in the year in which the costs are incurred. The Authority may issue revenue anticipation notes to cover cash flow deficiencies until funding is received with approval from MassDOT.

The Revenue Anticipation Note (RAN) outstanding at June 30, 2017 consisted of one note totaling \$19,000,000. This note bore an interest rate of .735% net interest cost (NIC). This note was due in August 2017. The \$19,000,000 RAN was repaid in August 2017 and a new RAN was issued for \$19,000,000. Interest expense related to the RAN amounted to \$378,944 in FY2017, and was offset by a premium upon issuance of \$239,303.

Note G - Long Term Debt

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Interest Rate	Original Amount	Maturity Date	Balance 6/30/16	Reductions	Total Balance 6/30/17	Current Portion	Long-Term Portion
Note Payable - Fitchburg Redevelopment Authority	0%	\$1,050,000	June-2026	<u>\$530,002</u>	<u>(\$53,333)</u>	<u>\$476,669</u>	<u>(\$53,333)</u>	<u>\$423,336</u>
Total				<u>\$530,002</u>	<u>(\$53,333)</u>	<u>\$476,669</u>	<u>(\$53,333)</u>	<u>\$423,336</u>

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note G - Long Term Debt (Continued)

Maturities of Long Term Debt for the next five years and thereafter are as follows:

	<u>Years ended June 30</u>	<u>Principal</u>		<u>Interest</u>
	2018	\$53,333	\$	-
	2019	53,333		-
	2020	53,333		-
	2021	53,333		-
	2022	53,333		-
	2023-2026	<u>210,004</u>		-
Total		<u>\$476,669</u>	\$	<u>-</u>

Note H - Notes Payable

The Authority has a demand commercial line of credit available up to a maximum borrowing of \$5 million, which was an increase effective November 30, 2015 from \$3 million. No amounts were outstanding as of June 30, 2017. Interest is charged at Wall Street Journal prime rate with a floor of 3.25%, interest at June 30, 2017 was 4.25%.

Note I - Contingencies

The Authority has received capital and operating financial assistance from federal and state agencies in the form of grants. Expenditure of the funds under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the Authority. There are no known disallowances at or for the year ended June 30, 2017.

The Authority is also a party to claims that arise during the normal course of business. Management and the Authority's legal counsel are currently aware of claims as described below:

During FY2017, the Authority, through its insurer, settled a civil action claim brought in Worcester Superior Court in February 2014 by legal counsel for Care-A-Van Transport, Inc. – plaintiff, as disclosed in FY2016 and previous financial statements. The Authority was named as co-defendant in this action which results from the Medicaid fraud scheme perpetrated against MART (from 2010 and prior years) by various companies owned by Alex Shrayber. The total potential claim was \$195,000. The final settlement is \$18,000 which was paid by the insurer.

Regarding the previously completed North Leominster Parking Garage project, there is one pending claim still open from FY2016 as disclosed in the June 30, 2016 and previous financial statements. The civil action claims which were previously filed action in Middlesex Superior Court by legal counsel for TLT Construction, Inc., as third party defendant in civil suits filed by two plaintiffs – Canatal Steel USA and Barker Steel against TLT Construction, Inc. and its bond holder – Western Surety Company have been resolved by defendant TLT and those claims have been consolidated into the remaining civil action against MART by TLT.

MART continued to be represented by legal counsel on this matter and has attempted to resolve the outstanding claim against MART by TLT through mediation on two separate occasions without success. The presiding judge in the civil action has ordered the consolidated claim which TLT has amended to approximately \$1.4M to be arbitrated. The arbitration is scheduled for October of 2017.

The Authority believes the above claims are without merit and continues to vigorously contest each claim.

No liability has been recorded as of June 30, 2017.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note J - Retirement Benefits

Effective July 1, 2015, the Authority established a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code for the benefit of substantially all employees. Employees are permitted to contribute amounts to the plan on a pretax basis, and the Authority pays a discretionary amount for each employee, regardless of whether the employee contributes to the Plan. In FY2017, the Authority contributed 10% of each employee's base pay for a total contribution of \$345,406. The Authority also sponsors an investment plan under Section 401(a) of the Internal Revenue Code. No contributions were made to this plan in FY2016, and it is the intention of the Authority to roll the net assets of the investment plan into the 401(k) plan and terminate the investment plan in the future.

Note K – Related Party Transactions

The Authority engages in transactions with other component units of Massachusetts Department of Transportation in the normal course of business. These transactions relate to operating as well as capital activities.

The Authority also serves as ticket agency for MBTA at the Fitchburg Intermodal Station. In FY2017, the Authority collected ticket revenues of \$262,430 and remitted \$247,318 to MBTA.

Cape Ann Transit Authority (CATA) – the Authority paid CATA \$75,000 in FY2017 for contractual services that CATA employees provided to the Authority for HST vendor inspection services. In addition the Authority contracts with CATA as a vendor as part of the brokerage line of business. In accordance with the HST contract with the Authority, CATA is the low bid for these services.

Montachusett Regional Planning Commission (MRPC) – the Authority paid MRPC \$140,800 in FY2017 for contractual services that MRPC employees provided to the Authority. MRPC also rents office space from the Authority for which it paid \$25,060 in FY2017.

801 CMR 53.03(2) Disclosure (Unaudited)

The Administrator, date of hire of February 13, 2003, received base compensation for tax year ending December 31, 2016 of \$138,517. The Administrator did not receive health insurance.

The Deputy Administrator, date of hire of February 3, 1993, received base compensation for tax year ending December 31, 2016 of \$122,046. The Deputy Administrator receives health insurance coverage and contributes 33% of the cost of the premium.

The Chief Financial Officer, date of hire of March 16, 2015, received compensation for tax year ending December 31, 2016 of \$114,874. The Chief Financial Officer receives health insurance coverage and contributes 33% of the cost of the premium.

Note L – Subsequent Events

In August 2017, the Authority paid its existing revenue anticipation note of \$19,000,000 and issued a new note for \$19,000,000.

Management has evaluated subsequent events through September 30, 2017 the date the financial statements were available to be issued.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
List of Brokerage Vendors totaling 252
For the Year Ended June 30, 2017

A & G Transportation Services Inc., Revere	Center of Hope Foundation Inc., Southbridge (aka SoWorc Arc)
AAA Solution Inc., Sharon	City Cab Company Inc., Fitchburg
Aaron Transport LLC, Springfield	City Voyager Corp., Ashland
Abees Transportation, North Grafton	City Way Transit, Hyde Park
Access Care Ride, Leominster	CLAR LLC., Lowell
Action Ambulance Service, Wilmington	Class Inc., Lawrence
ADH Transit Services, Worcester	Client Care Solutions Inc., Lynn
Agawam Transportation Inc., Agawam	Clinton Livery Inc., Clinton
Allroad Transit Corporation, Stoughton	Comfort Care Resource Group, Woburn
Allroad Transportation Corp., Stoughton	Commonwealth Community, Springfield
All-Savants Transportation LLC, Quincy	Community Access Inc., Brockton
Alternatives Unlimited Inc., Whitinsville	Community Healthlink Inc., Worcester
American Training Inc., Andover	Community Transportation Services Inc., Indian Orchard
American Way Transportation Inc., Woburn	Compass Transportation Inc., Worcester
ANB Transportation, Inc., Waltham	Denise Conry, North Reading
Deborah Apraku, Malden	Crown Home Healthcare, Saugus
Arko Transportation Service, Lynn	D & T Transportation, Worcester
Atlantic Trans Inc., Sharon	D S Express Transportation Co., Chicopee
Aurora Transportation Service LLC, Swampscott	Dasa Transportation Inc., Stoughton
B & C Transportation LLC, Fitchburg	Delaney Health Care Trans LLC, Mattapan
Barry L. Price Rehabilitation Center Inc., W. Newton	Dial-a-Mart Services Inc., Fitchburg
Bass River Inc., Beverly	Digits Transportation, Lowell
Bay State Transportation Co., Swampscott	Donahue Limousine Service, Leominster
Marie T. Bell, Arlington	Dracut Transportation Service, Dracut
Best Choice Transportation Inc., Stoughton	E & A Transportation, LLC, Chestnut Hill
Best Ride Inc., Newton	Early's Custom Limo Service Inc., Millbury
Best Transportation, Natick	East Middlesex Assoc. for Retarded Citizens, Wakefield
Blackstone Valley Limo, Uxbridge	Easton Auto Service Inc., Easton
Maria Bonafine, Medford	Eliot Community Human Services, Lexington
Boston Mass Transportation Inc., Newton Upper Falls	Elite Trans LLC., Woburn
Bostonian Transportation Services Inc., Wellesley	Employment Options Inc., Marlboro
Bridgewell Inc., Lynnfield	Exodus Transportation Inc., Springfield
Brook Limo Transportation Inc., Waltham	Extra Care Transport, Worcester
Busy Bee Transportation, Ashland	F.O.M. Transportation Inc., Woburn
Cab Transportation LLC, New Bedford	Faith Transportation, West Springfield
Camme Transportation Inc., Andover	Five Stars Transportation, Natick
Cape Ann Transportation Operating Co., Gloucester	Flow Transportation Services Inc., Leominster
Eileen Cappello, Plymouth	Fozzy Inc., Boston
Cardinal Transportation Inc., Plymouth	Francois Transportation Inc., Tewksbury
Caring Choice Transportation Inc., Georgetown	Dawn Freeman, Peabody
Angela Caswell, Plymouth	Mary Fuller, Hinsdale

Furtuna Enterprise Inc., Somerville
GAAMHA Inc., Gardner
Gabriel Transportation, Amherst
Gentle Arms Daily Trans., Chelmsford
Gentle Ride Inc., Stoneham
Gloria Transportation Inc., Canton
Pat Faysal Goldfarb, Revere
Greater Lynn Senior Services, Lynn
Greater North Transportation Inc., North Chelmsford
Green Cab Co. Inc., Somerville
Habilitation Assistance Corp, Plymouth
Harambee Enterprise, Lowell
Patrick Hendershott, Malden
Higher Ground Enterprise, Mattapan
Horace Mann Educational Associates Inc., Franklin
Hulmes Transportation Service, Belchertown
Human Resources Unlimited, Springfield
Instant Transportation, Worcester
In Time Med Transport LLC, Malden
JC Transportation Inc., Lawrence
Daisy Jebb, Essex
Jet Transportation Inc., Shrewsbury
JFK Transportation Inc., Natick
JOMO Transportation Inc., Lowell
Justice Service Inc., Billerica
JYL Transportation, Spencer
Kas Transportation, Lowell
K-TX Transit Inc., Holden
Kenmore Transit, Swampscott
Kenride Inc., Revere
Kiessling Transit Inc., Norfolk
King Courier Trans. Inc., Webster
Konastone Service Inc., Dracut
Kush Transportation Inc., Methuen
L & G Transportation Service, Leominster
L. B. Transportation, Waltham
Liberty Ride, Charlestown
Lifestream Transportation LLC, Spencer
Lifeworks Inc., Westwood
Light Global Inc., Lynn
Lodge T LLC, Revere
Longonot Transportation Inc., Springfield
Lowell Transportation Inc., Tewksbury
Luxus Inc., Quincy
M Trans, West Roxbury
Malka Inc., Randolph

Management of Transportation Services Inc., Fitchburg
Management of Transportation Services of Gardner Inc.
Faith Manning, Burlington
Mark's Transportation LLC, Milford
MassFinest Inc., Billerica
Masstran Corp., Danvers
Maxride Inc., Dracut
Medical Transportation Inc., Auburndale
Medicol Inc., Framingham
Mercedes Cab Company, Northampton
Metro Transport Services LLC, Revere
MetroWest Regional Transit Authority, Framingham
Michael Transportation Services Corp., Lynn
Middlesex Transporters LLC, Worcester
Mighty Livery Transportation LLC, Wilmington
Mill City Transit LLC, Billerica
Minute Man Arc for Human Services Inc., Concord
Mobile Transportation, Quincy
Moose Hill Transportation Inc., Sharon
Mystic Service Corp. Inc., Medford
Mystic Transportation, Worcester
National Ambulance, Springfield
Need-A-Lift Medivan Inc., Leominster
New Worcester Yellow Cab Inc., Worcester
Northeast ARC Inc., Danvers
NuPath Inc., Woburn
Nurse Care Transportation, Methuen
Oceanside Medical Transportation, Lynn
Omar Transport LLC, Newton
Optimo Transportation LLC, Roxbury
Bernard Orenstein, Peabody
Antonio Paiva, Everett
Perfection, Inc., Brighton
Phil's Transportation, Wales
Pilgrim Transportation Inc., Stoughton
Prestige Livery Transportation LLP, Woburn
Prevalent Transport Inc., Chicopee
Prime Solution Group Inc., Brookline
Prospects Transportation, Worcester
Quality Assurance Transportation, Waltham
Quantum Transportation LLC, Watertown
R & M Ride, Lexington
R.E.M. Services Trans. LLC, Belmont
Rafa Transportation LLC, Springfield
RCK Transportation Inc., Everett
Red Cab, Worcester

Reliable Trans, Worcester
 Reliable Transport, Jamaica Plain
 Reliable Transportation, North Chelmsford
 Reliamed Transportation, Inc., Shrewsbury
 Ride on Time Inc., Lynn
 Carol J. Ringer, Lynnfield
 Bertie Risso, Westford
 Riverside Industries Inc., Easthampton
 RM Transportation Inc., Swampscott
 Royal Care Transportation, Framingham
 Royal Ride, Wakefield
 Rwendo Transportation Inc., North Chelmsford
 Sadko Inc., Newton
 Safe Ride Transportation. Inc., Woburn
 Safe Transportation Inc., Holbrook
 Sahara Transport LLC, Revere
 S and K Transportation, Brockton
 Sam's Trans Delivery, Lawrence
 Samtag Transit LLC, Worcester
 Sanko Inc., Stoughton
 Janice Scaparotti, Medford
 Seaway Transportation Services Inc., Woburn
 Sera-Ride, Lynn
 Serene Transportation, Inc., South Hadley
 Serenity LLC, Wilmington
 Seven Hills Community Services Inc., Worcester
 Shamrock Livery Inc., Marshfield
 Six Star Transportation, Inc., Watertown
 SLG Run, LLC, Holbrook
 Smart Transportation Inc., Quincy
 Smood Transportation Inc., Lynn
 Smooth Ride Transportation Inc., Leominster
 Soldier On Inc., Leeds
 Solika Transit, Springfield
 Sonic Velocity Inc., Chicopee
 South Shore Community Action Council Inc., Plymouth
 Spartacus Transportation LLC, Dover
 Stage-One Service Boston Inc., Waltham
 Star Line Transportation LLC, West Springfield
 Starlinks, Worcester
 S&T Health Transportation Inc., Watertown
 Success Corp, Watertown
 Support Management Inc., Waltham
 Surrimassini Inc., Salem
 SVT, Chicopee
 T3 Transportation Inc., Boston
 Tamba-Kromah Ventures LLC, Lynn
 Time Saver Transport Inc., Woburn
 Tommy's Taxi Inc., Framingham
 Transability Inc., Melrose
 Transportation On Call, Stoughton
 Travelcom Inc., Groton
 Travelers Transit Inc., Blackstone
 Tri-City Services Inc., Peabody
 Unice Supportive Housing Inc., Springfield
 United Transportation Group Inc., Worcester
 US Comfort Express LLC, West Springfield
 Venture Community Service Inc., Sturbridge
 Vesta Inc., Stoughton
 Veteran's Taxi of Newton LLC, Waltham
 VHS Transportation Company, South Easton
 Victorious Services Inc., Waltham
 Vision Beyond Transportation, North Chelmsford
 Vlads Transportation, West Springfield
 Voyage Transportation LLC, Quincy
 Janet Wainwright, Sudbury
 West Medical Transportation Inc., Stoughton
 Wood's Ambulance Inc., Gardner
 Worcester Medical Transportation, Worcester
 Worcester Transportation Corp., West Springfield
 World Class Limousine LLC, Andover
 World Inc., Worcester
 WOW Transportation Inc., Quincy
 Yaris Transportation, Lynn
 Yellow Cab Co., Springfield
 Yerevan Group Inc., Lynn
 Youth on the Move, Springfield
 Zoe Transportation, Cherry Valley

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Revenue and Cost of Service by Route
For the Year Ended June 30, 2017

	Revenue		Cost of Service		Net Interest (Income) Expense	Net Income (Loss)
	Operations	Other	Transportation Service	Administrative		
Fitchburg:						
Circle Line	\$ 74,291	\$ 57,882	\$ 439,318	\$ 148,036	\$ 7,431	\$ (462,612)
Main Line	91,025	70,920	594,037	200,171	10,049	(642,312)
Fitchburg Intown	105,243	81,997	686,825	231,437	11,618	(742,640)
Intercity Service	1,723	1,342	56,756	19,125	960	(73,776)
ADA/Dial-A-Ride	82,047	63,925	1,274,394	429,429	21,558	(1,579,409)
Fitchburg Total	354,329	276,066	3,051,330	1,028,198	51,616	(3,500,749)
Leominster:						
Circle Line	151,574	113,094	\$ 809,415	277,702	13,623	(836,072)
Main Line	123,708	92,302	694,671	238,335	11,692	(728,688)
Leominster Intown	9,789	7,304	54,969	18,859	925	(57,660)
Intercity Service	1,723	1,286	51,410	17,638	865	(66,904)
ADA/Dial-A-Ride	71,206	53,129	1,394,497	478,438	23,470	(1,772,070)
Leominster Total	358,000	267,115	3,004,962	1,030,972	50,575	(3,461,394)
Lunenburg:						
Fixed Route	68,565	29,758	354,144	117,448	5,747	(379,016)
ADA/Dial-A-Ride	17,198	7,464	33,711	11,180	547	(20,776)
Lunenburg Total	85,763	37,222	387,855	128,628	6,294	(399,792)
Lancaster:						
Fixed Route	7,596	7,134	39,236	27,444	1,202	(53,152)
ADA/Dial-A-Ride	1,905	1,789	18,675	6,883	572	(22,436)
Lancaster Total	9,501	8,923	57,911	34,327	1,774	(75,588)
Gardner:						
Circle Routes 1&2	38,219	20,473	348,373	101,620	4,892	(396,193)
MWCC	2,926	1,567	81,529	23,782	1,145	(101,963)
Link Service	17,214	9,221	144,994	42,295	2,036	(162,890)
ADA/Dial-A-Ride	113,954	61,043	695,748	202,950	9,771	(733,472)
Gardner Total	172,313	92,304	1,270,644	370,647	17,844	(1,394,518)
Athol:						
Fixed Route	6,745	505	52,964	19,609	973	(66,296)
Link Service	8,478	635	61,635	22,819	1,133	(76,474)
ADA/Dial-A-Ride	354,610	26,570	187,494	69,416	3,445	120,825
Athol Total	369,833	27,710	302,093	111,844	5,551	(21,945)
Westminster:						
Intercity Service	2,417	10,435	69,503	34,150	1,594	(92,395)
ADA/Dial-A-Ride	428	1,848	33,080	16,254	758	(47,816)
Westminster Total	2,845	12,283	102,583	50,404	2,352	(140,211)
Councils on Aging	84,850	59,035	2,589,349	226,806	12,774	(2,685,044)
Dial-A-Mart	3,454,860	-	2,047,678	-	-	1,407,182
TOTAL	\$ 4,892,294	\$ 780,658	\$ 12,814,405	\$ 2,981,826	\$ 148,780	\$ (10,272,059)

See Independent Auditors' Report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Self Funded Cost of Service
For the Year Ended June 30, 2017

	Revenue	Cost of Service		Net Interest Expense	Net Income/(Loss)
		Transportation Service	Administrative		
SELF FUNDED - TRANSIT					
Gardner VNA Service	\$ 699,683	\$ 386,469	\$ -	\$ -	\$ 313,214
Operating Co - HST Service	2,755,177	1,661,209	-	-	1,093,968
TOTAL SELF FUNDED - TRANSIT	3,454,860	2,047,678	-	-	1,407,182
SELF FUNDED - BROKERAGE					
Mass Health Services	44,941,940	45,095,600	1,986,756	-	(2,140,416)
Mass Health Ico Services	396,154	188,139	-	-	208,015
Department of Developmental Services	17,313,894	16,423,637	722,457	-	167,800
Department of Public Health Services	3,149,065	3,143,701	120,409	-	(115,045)
Department of Developmental Services Dayhab	71,794,900	70,012,913	3,070,441	-	(1,288,454)
Department of Developmental Services Dayhab Ico	36,524	73,543	-	-	(37,019)
Department of Mental Health Services	1,741,487	1,747,039	60,205	-	(65,757)
Mass Rehab Services	787,294	780,788	60,205	-	(53,699)
Mass Commission for the Blind Services	1,305	1,305	-	-	-
Dial-a-Mart	(2,755,177)	5,314	-	-	(2,760,491)
Unfunded Capital Assets	-	159,476	-	-	(159,476)
Administration	6,274,228	-	-	-	6,274,228
TOTAL SELF FUNDED - BROKERAGE	143,681,614	137,631,455	6,020,473	-	29,686
TOTAL SELF FUNDED	\$ 147,136,474	\$ 139,679,133	\$ 6,020,473	\$ -	\$ 1,436,868

See Independent Auditors' Report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Allocation of Net Cost of Service
For the Year Ended June 30, 2017

	Fixed Motor Bus Route	Paratransit	Council on Aging	Total	General and Administrative	Federal/Other Assistance	Other Income	Cost of Service	Self Funded	HST Brokerage	State Assistance	Local Assessment	Unreimbursed Cost of Service
Fitchburg	\$ 1,504,654	\$ 1,192,347	\$ 653,399	\$ 3,350,400	\$ 1,318,017	\$ (866,686)	\$ (504,470)	\$ 3,297,261	\$ (570,501)	\$ (10,125)	\$ (1,990,854)	\$ (755,406)	\$ (29,625)
Leominster	1,323,671	1,323,291	625,839	3,272,801	1,266,070	(841,500)	(495,933)	3,201,438	(560,847)	(9,831)	(1,932,996)	(733,453)	(35,689)
Gardner	444,274	643,462	93,561	1,181,297	397,341	(296,018)	(94,769)	1,187,851	(107,174)	(3,648)	(741,646)	(258,010)	77,373
Lunenburg	285,579	16,513	63,906	365,998	140,087	(97,409)	(38,091)	370,585	(43,077)	(1,138)	(223,756)	(84,901)	17,713
Templeton	51,283	-	75,139	126,422	44,622	(33,432)	(10,424)	127,188	(11,788)	(391)	(76,795)	(29,139)	9,075
Westminster	67,086	32,652	63,223	162,961	54,012	(42,537)	(12,608)	161,828	(14,258)	(497)	(97,710)	(37,075)	12,288
Winchendon	20,980	-	56,417	77,397	23,578	(19,803)	(5,832)	75,340	(6,595)	(231)	(45,490)	(17,260)	5,764
Ayer	-	-	83,406	83,406	24,695	(21,348)	(5,533)	81,220	(6,257)	(249)	(49,040)	(18,607)	7,067
Boxborough	-	-	29,356	29,356	8,372	(7,455)	(1,910)	28,363	(2,160)	(87)	(17,125)	(6,498)	2,493
Harvard	-	-	61,996	61,996	17,891	(15,778)	(4,082)	60,027	(4,616)	(184)	(36,244)	(13,752)	5,231
Littleton	-	-	117,141	117,141	33,513	(29,765)	(7,646)	113,243	(8,647)	(348)	(68,375)	(25,944)	9,929
Shirley	-	-	56,119	56,119	27,322	(16,594)	(3,716)	63,131	(4,202)	(194)	(38,118)	(14,463)	6,154
Lancaster	31,640	16,770	68,007	116,417	36,872	(29,998)	(9,168)	114,123	(10,368)	(350)	(68,906)	(26,146)	8,353
Sterling	-	-	90,214	90,214	25,762	(22,916)	(5,878)	87,182	(6,647)	(268)	(52,640)	(19,973)	7,654
Stow	-	-	44,237	44,237	-	-	-	44,237	-	(136)	-	(43,735)	366
Ashburnham	-	-	59,621	59,621	17,513	(15,223)	(3,996)	57,915	(4,519)	(178)	(34,969)	(13,268)	4,981
Ashby	-	-	80,156	80,156	22,847	(20,354)	(5,212)	77,437	(5,894)	(238)	(46,756)	(17,741)	6,808
Athol	99,376	171,216	86,033	356,625	118,974	(22,643)	(28,478)	424,478	(32,206)	(1,303)	(390,346)	(19,736)	(19,113)
Hubbardston	-	-	34,275	34,275	9,994	(8,740)	(2,280)	33,249	(2,578)	(102)	(20,076)	(7,617)	2,876
Bolton	-	-	17,036	17,036	5,199	(4,382)	(1,187)	16,666	(1,342)	(51)	(10,063)	(3,818)	1,392
Hardwick	-	-	45,418	45,418	13,583	(11,636)	(3,100)	44,265	(3,506)	(136)	(26,727)	(10,141)	3,755
Totals	\$ 3,828,543	\$ 3,396,251	\$ 2,504,499	\$ 9,729,293	\$ 3,606,264	\$ (2,424,217)	\$ (1,244,313)	\$ 9,667,027	\$ (1,407,182)	\$ (29,685)	\$ (5,968,632)	\$ (2,156,683)	\$ 104,845

See Independent Auditors' Report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Administrative, General and Interest Expenses
For the Year Ended June 30, 2017

ADMINISTRATIVE	REGIONAL TRANSIT AUTHORITY	HST BROKERAGE PROGRAMS	TOTAL
Insurance - General Liability Ex/Umbr	\$ 66,184	\$ 166,874	\$ 233,058
Insurance - Operating Property	80,523	-	80,523
Insurance - Parking Property	-	-	-
Insurance - Other Vehicles	382,827	24,362	407,189
Insurance - Bus	101,845	-	101,845
Payroll - Administrative	897,836	2,560,753	3,458,589
Payroll - Temporary Staff	6,435	716,528	722,963
Payroll - Uncompensated Absences	(2,729)	(20,320)	(23,049)
Payroll - Fica/Medicare Tax	64,378	186,290	250,668
Payroll - Unemployment Tax	18,649	53,584	72,233
Payroll - Health Insurance	64,349	366,277	430,626
Payroll - Life/Disability Insurance	10,089	28,744	38,833
Payroll - Workers Comp Insurance	837	3,347	4,184
Payroll - Pension Benefit	89,702	255,704	345,406
Advertising - Marketing / Legal / Consultant	9,455	152	9,607
Printing	7,402	625	8,027
Consultant - Technical/MRPC	140,800	-	140,800
Consultant - Other	-	-	-
Security	59,366	-	59,366
Legal Counsel	137,245	53,625	190,870
Auditor	13,865	21,626	35,491
Office Supplies	25,741	18,824	44,565
Equipment/Maintenance	51,010	9,192	60,202
Equipment Lease Expense	2,853	6,013	8,866
Purchase Services	20,490	2,218	22,708
IT Software	16,760	74,808	91,568
Travel	1,905	1,928	3,833
Meetings	16,191	17,480	33,671
Rent Expense	20,385	306,000	326,385
Consultants - Computer Service Contracts	65,875	443,562	509,437
Consultants - Operational / CATA	-	75,000	75,000
Miscellaneous Expense	15,750	12,516	28,266
Telephone	146,658	550,462	697,120
Telephone - Maintenance	19,098	4,199	23,297
Reserve Fund / Bad Debt Expense	115,199	243	115,442
Maintenance - Water St. Facility	60,317	-	60,317
Maintenance - ITC Facility	6,594	10,697	17,291
Maintenance - Gardner Facility	12,643	-	12,643
Maintenance - N. Main Facility	14,404	977	15,381
Maintenance - Athol Facility	5,917	-	5,917
Utilities - Water St. Facility	50,841	7,708	58,549
Utilities - ITC Facility	76,694	49,673	126,367
Utilities - Gardner Facility	40,384	-	40,384
Utilities - N. Main Facility	36,195	10,802	46,997
Utilities - Athol Facility	10,864	-	10,864
Total Administrative	2,981,826	6,020,473	9,002,299
GENERAL AND INTEREST			
Debt Service / Bank fees	20,792	-	20,792
Interest Expense	148,530	-	148,530
Ticket Agency Service	247,318	-	247,318
Commuter Rail Service	182,778	-	182,778
Total General And Interest	599,418	-	599,418
Total Administrative, General and Interest	\$ 3,581,244	\$ 6,020,473	\$ 9,601,717

See Independent Auditors' Report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal		Federal Expenditures
	CFDA Number	Pass-Through Entity Identifying Number	
U.S. Department of Transportation (FTA)			
Direct Recipient Grants			
Operating Assistance - Section 5307 Urban Area Formula	20.507	MA-2017-018-00	\$ 2,400,000
Capital - Section 5307 Urban Area Formula			
Water St roof, fare coll equip	20.507	MA-90-X668	60,505
Capital - Section 5307 Urban Area Formula			
Misc support equip- snowpusher	20.507	MA-90-X705	4,395
Capital - Section 5307 (MAP21) Urbanized Area Formula			
Buy bus parts	20.507	MA-090-X722	297
Capital - Section 5307 (MAP21) Urbanized Area Formula			
Bus station equipment and rehab	20.507	MA-2016-15-00	288,788
Related non-capital expenditures			3,056
Capital - Section 5307 (MAP21) Urbanized Area Formula			
Buy replacement vans, shop and support equip	20.507	MA-2017-018-00	490,132
Related non-capital expenditures			11,340
Capital - Section 5307 Urban Area Formula			
Wachusett Station support equipment	20.507	MA-2017-008-00	8,096
Related non-capital expenditures			202
Subtotal CFDA 20.507			<u>\$ 3,266,811</u>
Capital - Section 5309 Discretionary Tigger II Discretionary			
Transit energy management model for renewable resources	20.500	MA-88-0001	206,241
Capital - Section 5309 Bus and Bus Facility			
Ayer-Right-of-way Acquistion	20.500	MA-55-0006	89,782
Capital - Section 5309 Bus and Bus Facility			
Facility rehabilitation	20.500	MA-04-0061	12,276
Subtotal CFDA 20.500			<u>\$ 308,299</u>
U.S. Department of Transportation (FTA)			
Sub-Recipient Grants (Pass-Through Commonwealth of Massachusetts)			
Capital - Section 5339 Bus an Bus Facilities			
Replace (2) type D Vehicles	20.526	MA-34-010	130,000
Capital - Section 5339 Bus an Bus Facilities			
Replace (5) type E2 vehicles	20.526	MA-34-010	310,792
Capital - Section 5339 Bus and Bus Facilities			
Bicycle racks	20.526	MA-034-0009	33,158
Subtotal CFDA 20.526			<u>\$ 473,950</u>
Total Federal Transit Cluster			\$4,049,060
Total Expenditures of Federal Awards			<u>\$ 4,049,060</u>

See accompanying notes to schedule of expenditures of federal awards.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Montachusett Regional Transit Authority (the Authority) under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATES

The Authority does not charge indirect costs to its federal grants and did not elect to use the 10% de minimus cost rate.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

We have audited, in accordance with the 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, the financial statements of the Montachusett Regional Transit Authority (the Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruce D. Norling, CPA, P.C.

September 30, 2017

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Montachusett Regional Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bruce D. Norling, CPA, P.C.

September 30, 2017

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Montachusett Regional Transit Authority (the Authority).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings related to major programs that are required to be reported in accordance with 2 CFR 200.516(a).
7. The program tested as a major program consisted of United States Department of Transportation – Federal Transit Cluster (CFDA Nos. 20.500, 20.507, 20.526).
8. The threshold for distinguishing Type A and B programs was \$750,000. Type A programs are those that exceed \$750,000.
9. The Authority qualified as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - NONE

C. FINDINGS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT - NONE
