

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)

Financial Statements
and
Independent Auditor's Report

June 30, 2010

LETARTE & SINGLETON

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of
Montachusett Regional Transit Authority

We have audited the accompanying statement of net assets of Montachusett Regional Transit Authority, (component unit of the Commonwealth of Massachusetts) as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Montachusett Regional Transit Authority as of June 30, 2009, were audited by other auditors whose report dated December 8, 2009, expressed an unqualified opinion on those statements.

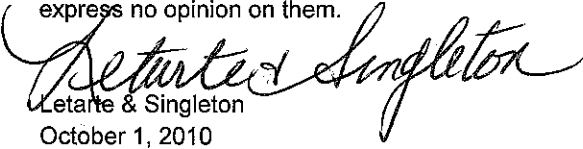
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montachusett Regional Transit Authority as of June 30, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010, on our consideration of Montachusett Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 2 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montachusett Regional Transit Authority basic financial statements. The supplementary section on pages 25 through 28, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.


Letarte & Singleton
October 1, 2010

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2010

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, MA as presented. This MD&A is prepared by the Administrator, Mohammed H. Khan. The management discussion and analysis of the Montachusett Regional Transit Authority's financial performance provides an overall review of the Authority's financial activities for the year ended June 30, 2010. 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:

- The Authority's total net fixed assets increased by \$3,746,136 during FY 2010. This increase is mainly due to the construction and rehabilitation of the garage storage facility at 840 N. Main Street, Leominster and progress on the A&E for the North Leominster Parking Garage. The addition of vehicles to the fleet and enhancements to network equipment were also a factor.
- The Authority was able to obtain a favorable interest rate for borrowing on its Revenue Anticipation Note of 1.95% in August 2010, compared to 2.31% for the prior note.
- For 2010 the Authority used excess operational funds of \$235,616 for capital equipment. This compares to the \$226,082 used for capital in FY 2009.
- The Authority's Federal 5307 funds used for operations was \$1,452,500 in FY 2010. These funds were allocated directly from the Formula funds and used toward urban area operations.
- Through contract with the Commonwealth of Massachusetts Human Services Transportation Agency and agreement with local Special Education departments, the Authority increased its brokerage services revenue from \$75,976,180 in FY 2009 to \$77,946,872, about a 2.6% increase.
- The Authority was able to maintain its basic services at its last year levels. Service revenue remained steady with a slight increase. Additional State Contract Assistance is required to pay for maintaining the same services. The Authority has seen a decline in the State Contract Assistance appropriation over the past few years. This trend needs to change so that the necessary funds are forthcoming to continue current service levels.

Overview of Financial Statements:

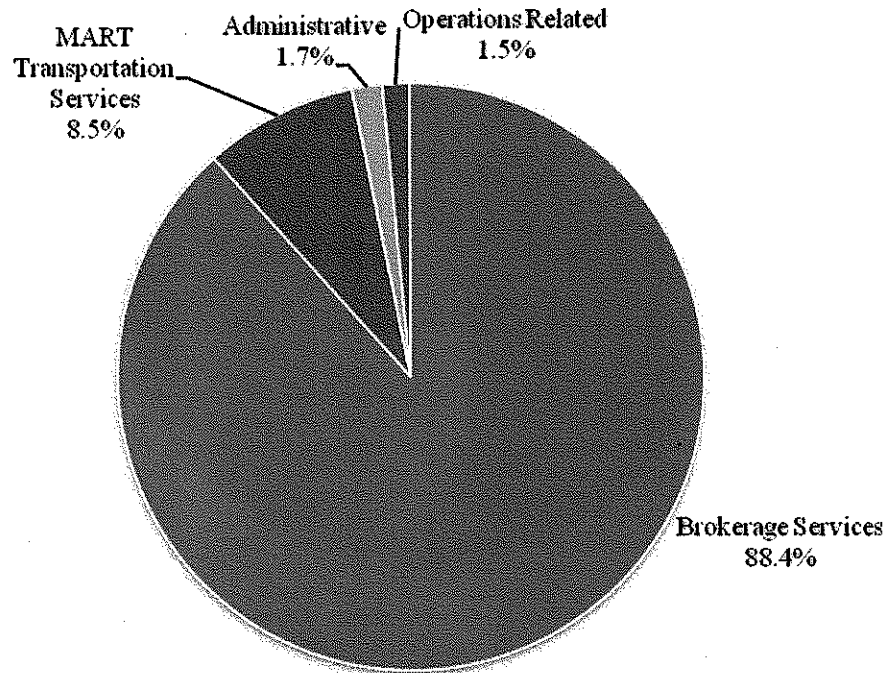
The Authority was established on August 7, 1978, by the cities of Fitchburg, Leominster and Gardner, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth of Massachusetts to provide transit services to the communities of Fitchburg, Leominster and Gardner beginning July 30, 1979. Currently, the Authority is comprised of 21 communities listed in Note A of the financial statements. As such, the financial statements are general purpose and the notes to the financials 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.

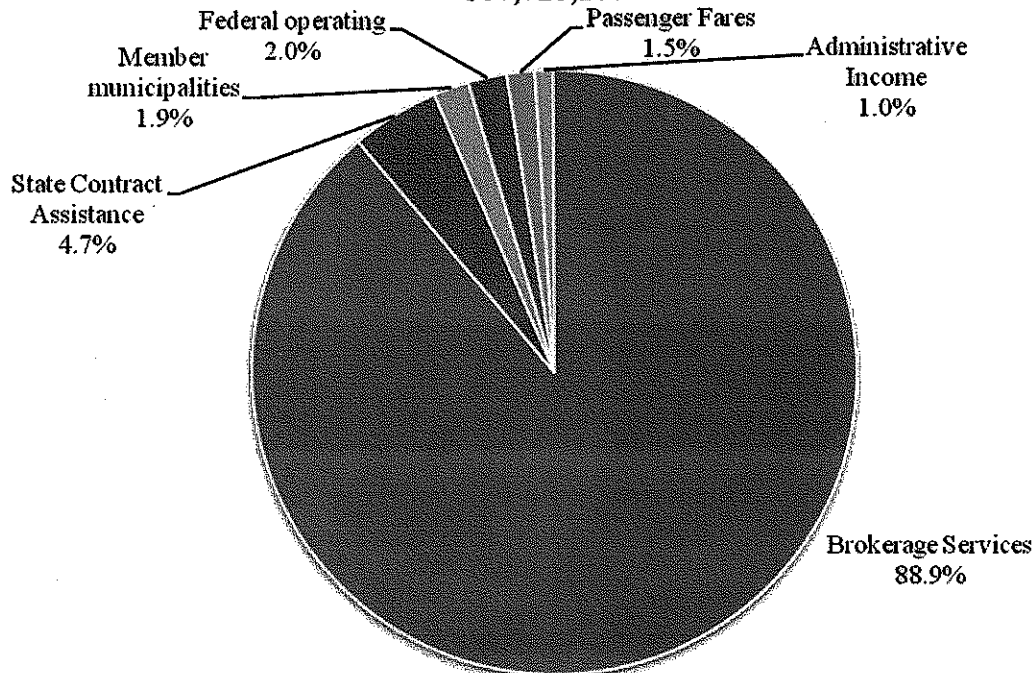
As seen in the following charts a large percentage of service the Authority provides is covered by its brokerage services, a self (fully) funded program requiring no funds outside of the program funds paid by the Human Services Transportation Agency (HST) with the understanding that HST continues with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

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2010

2010
Expenses including Brokerage Services
\$87,725,270



2010
Revenues including Brokerage Services
\$87,725,270

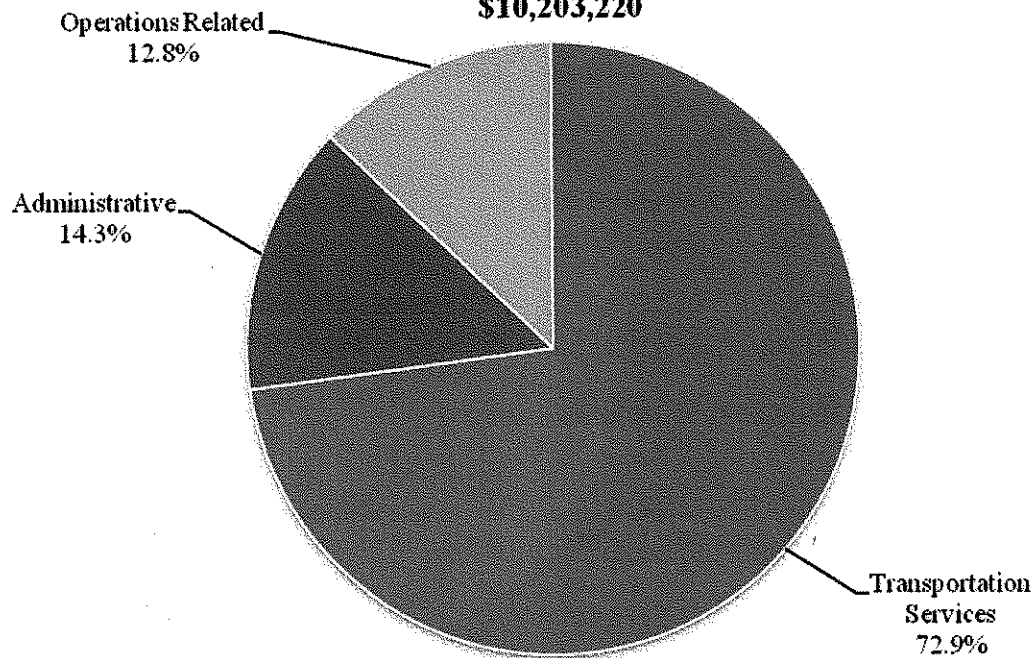


**Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2010**

2010

Expenses excluding Brokerage Services

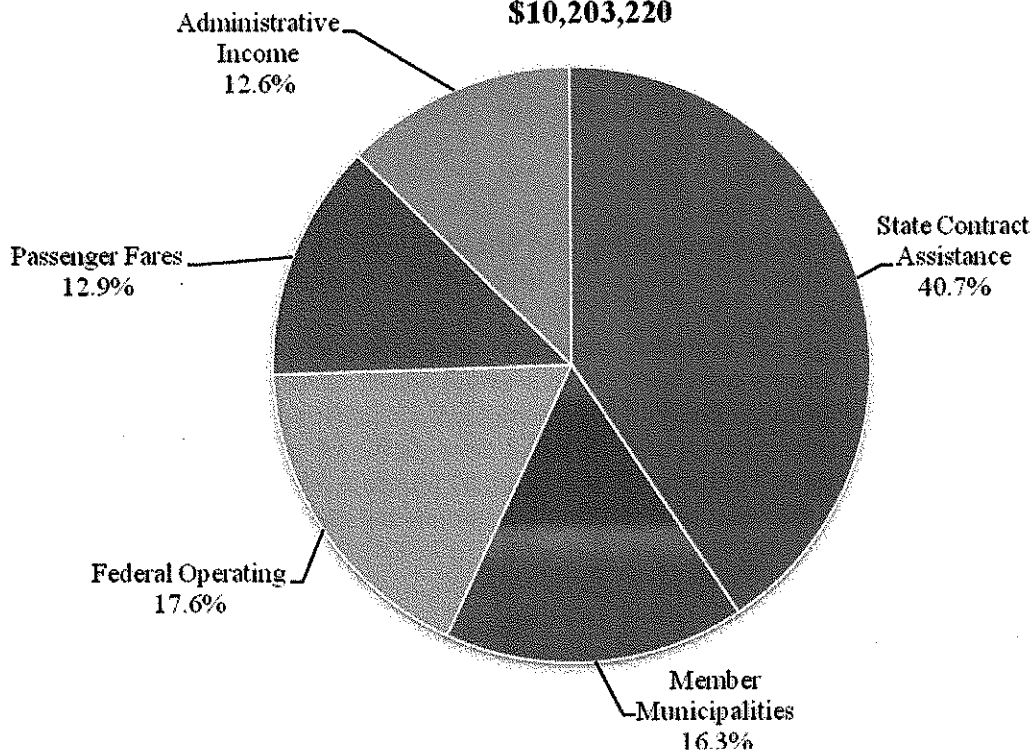
\$10,203,220



2010

Revenues excluding Brokerage Services

\$10,203,220



Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2010

Government Financial Analysis

The table below provides a summary of the Authority's net assets for 2010 and 2009.

	<u>2010 Business- type Activities</u>	<u>2009 Business- type Activities</u>
<u>Assets</u>		
Current and other assets	\$ 25,672,525	\$ 25,786,581
Capital assets	<u>39,943,522</u>	<u>37,622,470</u>
Total assets	<u>65,616,047</u>	<u>63,409,051</u>
<u>Liabilities</u>		
Long-term liabilities	919,857	1,029,280
Other liabilities	<u>30,421,660</u>	<u>30,255,534</u>
Total liabilities	<u>31,341,517</u>	<u>31,284,814</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	38,913,940	36,499,808
Unrestricted	<u>(4,639,410)</u>	<u>(4,375,571)</u>
Total net assets	<u>\$ 34,274,530</u>	<u>\$ 32,124,237</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Authority's assets exceeded liabilities by \$34,274,530.

Capital assets reported on the government-wide statements represent the largest portion of the Authority's net assets. As of June 30, 2010, capital assets represented 61% 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, 2010, were \$38,913,940. 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 the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Years Ended June 30, 2010 and 2009

Change in Net Assets:

The table below shows the changes in net assets for the fiscal year 2010 and 2009.

	2010	2009	Change
Operating Revenues			
Transportation Revenue-Self Funded	\$ 77,936,349	\$ 75,932,427	\$ 2,003,922
Transportation Revenue-Urban/Rural Service	1,317,843	1,350,037	(32,194)
Total Operating Revenues	<u>79,254,192</u>	<u>77,282,464</u>	<u>1,971,728</u>
Non-Operating Revenues			
Federal Operating	1,792,101	1,191,358	600,743
Commonwealth of Mass operating	4,149,743	4,757,118	(607,375)
Member Municipalities	1,661,463	1,620,939	40,524
Interest Income	13,154	54,696	(41,542)
Gain of Disposal of Capital Asset	2,278	-	2,278
Other Income	854,614	701,741	152,873
Total Non-Operating Revenues	<u>8,473,353</u>	<u>8,325,852</u>	<u>147,501</u>
Total Revenues	<u>87,727,545</u>	<u>85,608,316</u>	<u>2,119,229</u>
Operating expenses			
Transportation Expense-Self Funded	73,033,103	71,030,184	2,002,919
Transportation Expense-Urban/Rural Service	7,435,892	7,402,564	33,328
Administrative	6,578,807	6,391,584	187,223
Depreciation and amortization	1,531,575	2,407,923	(876,348)
Total Operating Expenses	<u>88,579,377</u>	<u>87,232,255</u>	<u>1,347,122</u>
Non-Operating Expenses			
Interest Expense	441,855	459,162	(17,307)
Loss on Disposal of Capital Assets	-	8,402	(8,402)
	<u>441,855</u>	<u>467,564</u>	<u>(25,709)</u>
Total Expenses	<u>89,021,232</u>	<u>87,699,819</u>	<u>1,321,413</u>
Change in Net Assets	(1,293,687)	(2,091,503)	797,816
Contributed Capital	3,593,297	3,763,041	(169,744)
Beginning Net Assets (restated)	<u>31,974,920</u>	<u>30,452,699</u>	<u>1,522,221</u>
Net Assets End of Year	<u>\$ 34,274,530</u>	<u>\$ 32,124,237</u>	<u>\$ 2,150,293</u>

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2010

Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and Land Improvements	\$ 442,066	\$ 350	\$ -	\$ 442,416
Depreciable Properties:				
Building/Improvements Fitchburg Parking	12,751,277	8,435	-	12,759,712
Building/Improvements Fitchburg Intermodal	3,510,128	8,435	-	3,518,563
Building/Improvements Leominster Parking Lot	3,512,773	1,800	-	3,514,573
Building/Improvements Leominster Storage	2,306,124	-	-	2,306,124
Building/Improvements Fitchburg Maintenance	8,693,772	6,627	-	8,700,399
Building/Improvements Gardner Maintenance	7,489,256	-	-	7,489,256
Improvements Fitchburg Rail	957,827	7,400	-	965,227
Improvements Wachusett Rail	281,827	565,245	-	847,072
Other Fixed Assets	1,732,949	232,764	-	1,965,713
Transportation Equipment	16,717,401	1,785,647	1,142,384	17,360,664
	<u>57,953,334</u>	<u>2,616,353</u>	<u>1,142,384</u>	<u>59,427,303</u>
Less Accumulated Depreciation For:				
Building/Improvements Fitchburg Parking	(781,191)	(390,496)	-	(1,171,687)
Building/Improvements Fitchburg Intermodal	(1,515,535)	(114,925)	-	(1,630,460)
Building/Improvements Leominster Parking Lot	(1,127,325)	(232,776)	-	(1,360,101)
Building/Improvements Leominster Storage	(412,768)	(77,414)	-	(490,182)
Building/Improvements Fitchburg Maintenance	(4,781,176)	(292,990)	-	(5,074,166)
Building/Improvements Gardner Maintenance	-	(253,150)	-	(253,150)
Improvements Fitchburg Rail	-	-	-	-
Improvements Wachusett Rail	-	-	-	-
Other Fixed Assets	(1,327,547)	(160,707)	-	(1,488,254)
Transportation Equipment	(11,152,245)	(1,071,939)	(1,091,449)	(11,132,735)
	<u>(21,097,787)</u>	<u>(2,594,397)</u>	<u>(1,091,449)</u>	<u>(22,600,735)</u>
Net Depreciable Property:	36,855,547	21,956	50,935	36,826,568
Construction In progress	\$ 324,858	2,349,681	-	2,674,539
Capital Assets, Net:	<u>\$ 37,622,471</u>	<u>\$ 2,371,987</u>	<u>\$ 50,935</u>	<u>\$ 39,943,523</u>

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2010

The Rehabilitation and Construction of an addition to the Vehicle Storage Facility on North Main Street in Leominster began in the second quarter of FY 2010. The Authority received ARRA funds for economic growth stimulus which allowed for this construction to begin on a much earlier timeframe than originally expected. The ARRA funds are available as 100% federal grants requiring no matching state funds. The Authority received \$3,227,669 which also includes the purchase of hybrid buses and a bus-washer for the Fitchburg Maintenance Facility. The Supplemental Appropriations Act of 2009 (H.R. 2346) allowed 10% of the ARRA Grant to be apportioned to Operating. \$322,766 was reallocated to operating under our existing grant. The Commonwealth in conjunction with FHWA flexed over unused ARRA funds to FTA to compensate for the 10% loss in Capital Funds caused by this reallocation. A new grant for \$322,767 was obtained thru this flex program. The Authority was able to increase ARRA funds available to the construction/rehabilitation of the storage facility as well as purchase more MDC equipment for the new vehicles purchased in FY2010.

The Authority has been awarded a Federal TIGER Discretionary Grant for \$55,500,000 for the extension of the Fitchburg Commuter Rail Line and the creation of a layover facility. This project will extend existing commuter rail service an additional 4.5 miles on the Fitchburg Line. A new parking facility will be constructed along with track and signal control improvements. Congressman Olver was instrumental in securing the funds for this project.

Financial Analysis:

- Transportation Services-Urban/Rural cost was maintained due primarily to trip consolidation.
- The State Assistance funding decreased by 13%. This was due to the State making a significant reimbursement reduction for FY09 and level funding FY10 based on FY09's already reduced amount. Local assessment has increased by 2.5% in accordance with Proposition 2 ½.

Budgetary Highlights:

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

- Overall revenues and expenditures were in line with the budget.
- Overall the Authority was able to meet its budget obligations and end its fiscal year with funds available to procure capital equipment.

Funding of the Authority:

- Expenses for all services less the brokerage program were \$10.2 million, and were funded by the following:

Authority generated revenue	= 25%
Federal operation funds	= 18%
Local contribution	= 16%
Commonwealth assistance	= 41%

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Net Assets
For the Year Ended June 30, 2010

Assets

Current Assets	
Cash and Cash Equivalents	\$ 1,694,667
Receivables for Operating Assistance	
U.S. Department of Transportation	1,747,053
Commonwealth of Massachusetts and Cities and Towns	
Constituting the Authority	6,325,657
Receivables for Capital Grants	
U.S. Department of Transportation	984,984
Commonwealth of Massachusetts and Cities and Towns	
Constituting the Authority	593,589
Accounts Receivable (Less Allowance for Doubtful Accounts of \$11,000)	11,993,286
Other Assets	817,533
Total Current Assets	<u>24,156,769</u>
Capital Assets	
Non Depreciable Capital Assets	3,116,456
Depreciable Capital Assets, Net of Accumulated Depreciation	36,826,566
Net Capital Assets	<u>39,943,522</u>
Noncurrent Receivables for Operating Assistance	1,515,756
Total Assets	<u><u>\$ 65,616,047</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ 8,985,549
Accrued Expenses	361,060
Deferred Revenue	91,875
Revenue Anticipation Notes Payable	18,500,000
Note Payable - Line of Credit	2,000,000
Short Term Portion of Long Term Debt	109,725
Accrued Interest	373,451
Total Current Liabilities	<u>30,421,660</u>
Long Term Liabilities	
Long Term Debt	919,857
Total Liabilities	<u>31,341,517</u>
Net Assets	
Unrestricted	
Invested in Capital Assets, Net of Related Debt	38,913,940
(Deficit)	(4,639,410)
Total Net Assets	<u>34,274,530</u>
Total Liabilities and Net Assets	<u><u>\$ 65,616,047</u></u>

See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

Operating Revenues	
Transportation Revenue - Brokerage	\$ 77,936,349
Transportation Revenue-Urban/Rural Service	1,317,843
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Total Operating Revenues	79,254,192
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Operating expenses	
Transportation Expense - Brokerage	73,033,103
Transportation Expense-Urban/Rural Service	7,435,892
Administrative (Including Brokerage Administrative)	6,578,807
Depreciation and Amortization	1,531,575
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Total Operating Expenses	88,579,377
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Operating Loss	(9,325,185)
Non-Operating Revenues (Expenses)	
Federal Operating	1,792,101
Commonwealth of Massachusetts	4,149,743
Member Municipalities	1,661,463
Interest Expense	(441,855)
Interest Income	13,154
Gain on Disposal of Capital Assets	2,278
Other Income, Net	854,614
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Total Non-Operating Revenues	8,031,498
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Change in Net Assets	(1,293,687)
Net Assets at the Beginning of the Year (restated)	31,974,920
Contributed Capital	3,593,297
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Net Assets at the End of the Year	\$ 34,274,530
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See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Cash Flows
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from passenger fares and contract reimbursements	\$ 78,572,083
Cash paid to vendors	(82,943,252)
Cash paid for administration	<u>(6,578,807)</u>

NET CASH USED BY OPERATING ACTIVITIES (10,949,976)

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Interest Income	13,154
Subsidy received for Capital Grants	6,231,100
Subsidy received for Operating Grants	5,973,335
Purchase of Capital Assets	(4,987,990)
Cash Proceeds from the Sale of Assets	7,000
Other Income	<u>854,614</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 8,091,213

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Revenue Anticipation Notes	18,500,000
Proceeds from Notes Payable - Line of Credit	2,000,000
Principal Payments on Revenue Anticipation Notes	(18,000,000)
Interest Payments on Revenue Anticipation Notes	(414,800)
Principal Payments on Notes Payable	(93,080)
Interest Payments on Notes Payable	<u>(63,561)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES 1,928,559

NET DECREASE IN CASH AND CASH EQUIVALENTS (930,204)

BEGINNING CASH AND CASH EQUIVALENTS 2,624,871

ENDING CASH AND CASH EQUIVALENTS \$ 1,694,667

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Operating Loss	\$ (9,325,185)
Depreciation and amortization	1,531,575
Changes in Assets and Liabilities:	
Decrease in Receivables	359,890
Increase in Other Assets	(1,166,039)
Decrease in Payables	(2,474,257)
Increase in Accrued Expenses	<u>124,040</u>

Net Cash Used in Operating Activities \$ (10,949,976)

See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Net Cost of Service
For the Year Ended June 30, 2010

	Urbanized Area Service	Rural Area Service	Brokerage Services	Total Area Service
Operating Costs				
RTA Administration Costs (excluding depreciation)	\$ 2,552,749	\$ 126,209	\$ 4,135,462	\$ 6,814,420
Purchased Services				-
Fixed Route	3,691,996	27,815	-	3,719,811
Demand Reponse	3,305,534	410,547	-	3,716,081
Brokerage Services			73,033,103	73,033,103
Debt Service	83,467	4,904	353,484	441,855
Total Operating Costs	<u>9,633,746</u>	<u>569,475</u>	<u>77,522,049</u>	<u>87,725,270</u>
Federal Operating Assistance				
FTA Operating & Administrative	1,452,500	36,202	-	1,488,702
Other Federal	283,331	20,068	-	303,399
Total Federal Assistance	<u>1,735,831</u>	<u>56,270</u>	<u>-</u>	<u>1,792,101</u>
Revenues				
Operating	1,299,191	18,653	-	1,317,844
Brokerage Service Reimbursement			77,936,349	77,936,349
MBTA/Other Third Party Reimbursement	-	-	-	-
Other Revenues				-
Advertising	12,536	888	-	13,424
Interest Income	2,604	27	10,523	13,154
Miscellaneous	829,359	11,833	-	841,192
Total Revenues	<u>2,143,690</u>	<u>31,401</u>	<u>77,946,872</u>	<u>80,121,963</u>
Net operating deficit	5,754,225	481,804	(424,823)	5,811,206
Adjustments	-	-	-	-
Net Cost of Service	5,754,225	481,804	(424,823)	5,811,206
Net Cost of Service Funding				
Local Assessments	1,533,098	128,365	-	1,661,463
State Contract Assistance	3,829,130	320,613	-	4,149,743
Unreimbursed surplus (deficit)	<u>(391,997)</u>	<u>(32,826)</u>	<u>424,823</u>	<u>-</u>
State Contract Assistance	3,829,130	320,613	-	4,149,743
Less: Partial payment by MassDOT after June 30	3,446,215	288,552	-	3,734,767
Balance Requested from the State	<u>\$ 382,915</u>	<u>\$ 32,061</u>	<u>\$ -</u>	<u>\$ 414,976</u>

See accompanying notes to financial statements.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note A – The Authority and Operators

The Montachusett Regional Transit Authority (“the Authority”) is a component unit of the Commonwealth of Massachusetts 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 to provide transit services to the communities of Fitchburg and Leominster beginning July 30, 1979.

The following 21 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

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note A – The Authority and Operators (Continued)

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 special Dial-A-Ride/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 reimburse the private vendors for costs and 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 \$77,250 for the year ended June 30, 2010. MTS was selected through a competitive process in 2008 for a five year period with an annual renewal option. The agreement expires June 30, 2013.

In Gardner this service is provided by Management of Transportation Services of Gardner, Inc. ("MTG"). The Authority paid a management fee of \$30,900 for the year ended June 30, 2010. MTG was selected through a competitive process in 2008 for a five year period with an annual renewal option. The agreement expires June 30, 2013.

The operation of the Authority's Dial-A-MART local social service affiliated paratransit transportation is non-fixed route service provided by Dial-A-MART Services, Inc. ("DAMS"), DAMS provides Dial-A-Ride transportation, veteran's shuttle, monthly subscription services plus other transportation services. The Authority paid a management fee of \$61,800 for the year ended June 30, 2010. Dial-A-MART Services, Inc., was selected through a competitive process in 2008 for a five year period with an annual renewal option. The agreement expires June 30, 2013.

The operations of the Authority's paratransit service targeted for elderly and handicapped individuals is provided by the local Councils 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. The Authority has agreed reimburse the COAs for reasonable and necessary expenses for the efficient operation of the paratransit service. The local COAs are departments of each municipal government having membership in the Authority, and expenses are billed by the municipality.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note A – The Authority and Operators (Continued)

Brokerage programs (referred to as HST, brokerage, or fully funded) consist of the brokerage of human services transportation (“HST”) for the Commonwealth of Massachusetts’ Division of Medical Assistance (“DMA”), Department of Public Health (“DPH”), Department of Developmental Services (“DDS”) and for local municipal special needs students from which the Authority receives a brokerage fee. The Authority’s service area for the DMA, DPH and DDS transportation program includes Fitchburg, Cambridge/Somerville, Lowell, Boston, Woburn, Worcester and Springfield. The Authority’s service area for local municipal Special Education departments includes Fitchburg, Leominster, Gardner, Shirley, Ashburnham, Westminster, Nashoba, Lunenburg and North Middlesex. The service is primarily provided by private operators utilizing their own vehicles. Operators are required through a formal selection process whereby the Authority reimburses them through contracted negotiated rates. The Authority provides the administrative function: 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, administrative and capital expenses have been allocated to each program. The Authority entered into a five year administrative contract with the Commonwealth’s Human Services Transportation (HST) department effective July 1, 2007 through June 30, 2012.

There were 244 brokerage program operators for the fiscal year ended June 30, 2010. This list is provided in this report.

Note B- Summary of Significant Accounting Policies

Basis of Presentation

Fund Accounting – The accounts of the Authority are organized on the basis of funds, to report on its net assets and the results of its operations, each of which are considered a separate accounting entity. The Authority has created a single type of fund and a single fund within that fund type. The fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenses. This fund accounts for the governmental resources allocated to it for the purpose of carrying on specific activities in accordance with laws, regulations and other restrictions. The fund type which the Authority uses is described below:

Propriety Fund Type – This fund type accounts for operations that are organized to be self-supporting through user charges. The fund included in this category used by the Authority is an Enterprise Fund. Under the guidelines of GASB 20, the Authority has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 to its proprietary activities. The adoption of this approach to the accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note B- Summary of Significant Accounting Policies (Continued)

Enterprise Fund – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Operating vs. Nonoperating Revenue and Expense

Operating revenues and expenses are distinguished from nonoperating 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. 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 nonoperating 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 Nonexchange Transactions,"* these grants are reflected in the accompanying statement of revenues, expenses and changes in net assets as revenue in the contributed capital category.

Cash and Cash Equivalents

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

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 report period. Accordingly, actual results could differ from those estimates.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note B- Summary of Significant Accounting Policies (Continued)

Capital Equipment

Property and equipment is stated at cost, less accumulated depreciation. The cost of furniture and equipment is depreciated on the straight-line basis over the economic useful lives of the assets. These lives range from ten to forty years for buildings and improvements, four to twelve years for vehicles and three to ten years for equipment. Total depreciation was \$1,531,575 for the year ended June 30, 2010.

Restricted Assets and Restricted Liabilities

Restricted assets are restricted for the acquisition of capital assets under the terms delineated in the Authority's various capital grants received by the Authority. Restricted liabilities are amounts paid by restricted assets.

Note C – Cash and Cash Equivalents

Investment Policy

Pursuant to GASB No. 40, custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority 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 uninsured deposits. As of June 30, 2010, the bank balance of uninsured deposits totaled \$1,241,775. These deposits are invested in government securities only.

Interest Rate Risk

As of June 30, 2010, the Authority's held investments in the State Treasurer's investment pool (MMDT). The fair value of the MMDT investment was \$444,654 and its average maturity was less than one year.

Credit Risk

As of June 30, 2010, the Authority's investment in the state investment pool, MMDT, was not rated.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note C – Cash and Cash Equivalents (Continued)

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 not formally adopted deposit and investment policies that limit the Authority's allowable deposits or investments and address the specific types of risk to which the government is exposed.

Note D – Grants

At June 30, 2010, under Sections 5309, 5307 and 5314 of the Federal Transit Administration ("FTA"), as amended, the U.S. Department of Transportation has current active capital grants to the Authority aggregating \$11,963,574. The federal government normally funds up to 80% of this amount. However, the Authority has 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 and the issuance of long-term debt.

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 fiscal year 2010 was \$4,149,743. In addition, the various cities and towns constituting the Authority contributed assistance in the amount of \$1,661,463 for 2010.

The non-current Commonwealth of Massachusetts receivables of \$1,515,756 in the accompanying statements of net assets for 2010 is related to funds due from the Commonwealth for fiscal year 2009 and earlier, pursuant to Massachusetts General Laws, Chapter 161B. This amount has not been funded as yet by Commonwealth State Contract Assistance grants. Unfunded deficits may be funded via Commonwealth supplemental budgets. However, whether or not the state will fund this entire amount is undeterminable. The Authority has not reserved any amount as uncollectible related to these receivables.

Note E – Contingencies

The Organization receives a significant portion of its support from various funding sources. Expenditure of these funds requires compliance with terms and conditions specified in the related contracts and agreements. These expenditures would become a liability of the agency requiring repayment to the funding sources. Liabilities resulting from this audit, if any, will be recorded in the period in which the liability is ascertained.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note C – Cash and Cash Equivalents (Continued)

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 not formally adopted deposit and investment policies that limit the Authority's allowable deposits or investments and address the specific types of risk to which the government is exposed.

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Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note F – Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/2009	Additions	Disposals	Balance 6/30/2010
Capital assets, not being depreciated:				
Land	\$ 442,066	\$ 350	\$ -	\$ 442,416
Construction in progress	324,858	2,349,681	-	2,674,539
Total capital assets not being depreciated:	766,924	2,350,031	-	3,116,955
Capital assets, being depreciated:				
Buildings	39,502,984	597,942		40,100,826
Vehicles, Fareboxes and relates assets	16,717,401	1,785,647	1,142,384	17,360,664
Other Fixed Assets	1,732,949	232,764		1,965,713
Total capital assets, being depreciated	57,953,334	2,616,353	1,142,384	59,427,203
Total accumulated depreciation	21,097,787	2,594,791	1,091,449	22,600,735
Total capital assets, being depreciated, net	36,855,547	21,562	50,935	36,826,568
Governmental activities capital assets, net	<u>\$ 37,622,471</u>	<u>\$ 2,371,593</u>	<u>\$ 50,935</u>	<u>\$ 39,943,523</u>

Note G – 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 funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note G – Revenue Anticipation Notes (Continued)

During the year ended June 30, 2010, the following changes occurred in the Authority's Revenue Anticipation Notes (RAN):

The RAN outstanding at June 30, 2010 consisted of one note totaling \$18,500,000. This note bore an interest rate of 2.31% NIC. This note was due in August 2010. The \$18,500,000 RAN was repaid in August 2010 and new RAN was issued for \$18,700,000. The Authority had an interest expense of \$367,271 related to this note in 2010.

Note H- Long Term Debt

During the year ended June 30, 2010, the following changes occurred in long-term liabilities.

Business-Type Activities	Interest Rate	Original Amount	Maturity Date	Balance 7/1/09	Reductions	Total Balance 6/30/10	Short-Term Portion	Long-Term Portion
Note Payable-Enterprise Bank & Trust	5.95%	283,000	6/2013	232,662	(53,080)	179,582	(56,392)	123,190
Note Payable - Fitchburg Redevelopment Authority	0%	1,050,000	6/2026	890,000	(40,000)	850,000	(53,333)	796,667
Total Business-Type Activities				<u>\$ 1,122,662</u>	<u>\$ (93,080)</u>	<u>\$ 1,029,582</u>	<u>\$ (109,725)</u>	<u>\$ 919,857</u>

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

	<u>Principal</u>	<u>Interest</u>
For the year ended June 30, 2011	\$ 109,725	\$ 12,619
For the year ended June 30, 2012	113,264	9,321
For the year ended June 30, 2013	116,592	5,834
For the year ended June 30, 2014	53,333	2,103
For the year ended June 30, 205	53,333	-
Thereafter	<u>583,335</u>	<u>-</u>
Total	<u>\$ 1,029,582</u>	<u>\$ 29,877</u>

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note I-Note Payable-Line of Credit

The Commercial Line of Credit outstanding at June 30, 2010 was \$2,000,000. This unsecured debt is due on demand requiring monthly payments of interest only (3.25% at June 30, 2010). Maximum available borrowing on this line is \$2,000,000.

Note J-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 are 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 for the year ended June 30, 2010.

The Authority is also party to claims that arise during the normal course of business. Management and the Authority's legal counsel believe that there are no significant liabilities associated with these claims.

Note K-Retirement Benefits

The Authority's administrative staff has not had a pension fringe benefit package with the exception of Federal Social Security (FICA) since its inception in 1978. The Authority has instituted an employer sponsored 401A investment plan effective January 1, 2003. The Authority will contribute up to \$2,000 per year for its full-time employees after two years of full-time service. This plan is not factored using an individual's salary. This contribution is annually contingent on the financial situation of the Montachusett Regional Transit Authority and is not guaranteed. The total amount contributed by the Authority was \$89,238 for the year ended June 30, 2010.

Note L-Restatement of Net Assets

Compensated absence expense is required to be calculated and accrued annually. Compensated absences are vacation and/or compensatory time costs which employees have earned but not paid. As such, \$199,317 has been deducted from beginning net assets to reflect the amount which should have been reflected in prior year's expense.

Note M -- Subsequent Events

The Authority has evaluated subsequent events through October 1, 2010, the date the financial statements were available to be issued.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
List of Brokerage Vendors totaling 244
For the Year Ended June 30, 2010

2 and From Transport, Inc., Athol	C C Resources Group, Woburn
A & E Transportation, Boston	City Cab Company, Inc., Fitchburg
AAA Express, Inc., Newton	City Voyager Corp., Ashland
A-CS Transportation Inc., Boston	Class Inc., Lawrence
Aaron's Transportation, Inc., Allston	Classic of Leominster, Leominster
Absolutransit, Gardner	Client Care Solutions, Inc., Lynn
Advocates, Inc., Framingham	Clinton Livery Inc., Clinton
Aegis Medical Transport, S. Easton	CMARC Inc., Woburn
All Seasons Transportation, Woburn	Lisa Colleameno, Malden
Allstate Transportation Solution, Inc., Newton	Community Access Inc., Brockton
Alter-Ride Van Service, Dunstable	Community Transportation Services, Inc., Springfield
American Training, Inc., Lawrence	Dean Transport Services, Lowell
Angel Transportation, Westford	Delaney Health Care Trans, LLC, Randolph
Deborah Apraku, Malden	Delta Community Transportation Inc., Canton
Ararat Transportation, Inc., Waltham	Deluxe Transportation, W. Roxbury
Atlantis Transportation, S. Lancaster	Robnielle Desir, Leominster
Barry L. Price Rehabilitation Center, Inc., W. Newton	Dial-a-Mart Services, Inc., Fitchburg
Bass River, Inc., Beverly	DNJ Transportation, Inc., W. Roxbury
Bay State Transportation Co., Lynn	DN Transportation, Inc., Raynham
Beaconcare, Brookline	Donahue Limousine Service, Leominster
Beacon Transportation, Inc., Brookline	Douce Transportation, Worcester
Marie T. Bell, Arlington	Dracut Transportation, Dracut
Best Transportation, Natick	D S Express Transportation Co., Chicopee
BMV Management, Inc., Wellesley	E & A Transportation, LLC, Chestnut Hill
Bob's Taxi, Bellingham	Eagle Transit, LLC, Springfield
Bostonian Transportation Services, Inc., Wellesley	East Springfield Transportation, Inc., Springfield
Boston Limousine & Transportation, Inc., Chelsea	East West Transportation, Newton
Boston Mass Transport, Inc., Natick	Eastern Massachusetts Transportation Services, Inc., Waterto
Braintree Blue Cab, Weymouth	East Middlesex Assoc. for Retarded Citizens, Reading
Bridgewell, Inc., Lynnfield	Eliot Community Human Services, Lexington
Broadway Taxi Inc., Falmouth	Elit Transportation, Watertown
Broadway Transportation of Revere, Inc., Revere	E T Transportation, Ware
Christina Brown, Lincoln	Fidelity House, Inc., Lawrence
Paul Burke, Belmont	Fiem, Inc., Roxbury
Busy Bee Transportation, Ashland	First Call Transportation, Watertown
Camme Transportation, Inc., Revere	First Student, Providence
Cape Ann Transportation Operating Co., Gloucester	Five Stars Transportation, Natick
Eileen Cappello, Plymouth	Flow Transportation Services, Inc., Leominster
Careplus Transportation, Worcester	Foxfield Transportation, Inc., Franklin
Care Transit, LLC, Springfield	Fred's School Bus, Winchendon
Caring Choice Transportation, Inc., Georgetown	Freeline Transportation Service, Inc., W. Springfield
Angela Caswell, Plymouth	Dawn Freeman, Peabody
CCCP Transportation, Inc., Brighton	Mary Fuller, Hinsdale

GAAMHA, Inc., Gardner
 Gardner Community Action Committee, Gardner
 Gentle Arms Daily Trans., Chelmsford
 Gentle Ride, Inc., Woburn
 Gokey & Quinn Bus Co., Harvard
 Grafton Taxi & Transport, Grafton
 Greater Lynn Senior Services, Lynn
 Greater Marlboro Programs, Marlboro
 Great Group, LLC, Burlington
 Green Cab Co., Inc., Somerville
 Green Cab of Waltham, Waltham
 Green Harbor Transportation, Green Harbor
 Green Transportation, Inc., Amherst
 Groom Transportation, Inc., Woburn
 GTM Transport Corp., Clinton
 Gusko, Inc., Worcester
 HC Transportation, Chestnut Hill
 Heart to Heart Transportation, N. Chelmsford
 Heritage Truck & Transit, Gardner
 Horace Mann Educational Associates Inc., Franklin
 Hudson Transportation Services, Salem
 Hulmes Transportation Service, Belchertown
 Human Resources Unlimited, Springfield
 IBF Transportation Services, Chestnut Hill
 Daisy Jebb, Essex
 JFK Transportation Inc., Natick
 JYL Transportation, Framingham
 K's Personal Transport, Inc., Oxford
 Kalim Limousine, Inc., Chelsea
 Kimberlie Kidd-Townsend, Pepperell
 Kiessling Transit Inc., Norfolk
 L&D Transport Inc., Oxford
 Ladoga Transit Inc., Chestnut Hill
 Lana's Transportation, Rockland
 Joanne Law, Reading
 James Liberato, Sr., Saugus
 Life Focus of Charlestown, Inc., Charlestown
 Lifetime Transportation Services, Worcester
 Lifeworks, Inc., Westwood
 Lowell Regional Transit Authority, Lowell
 Lowell Transportation, Tewksbury
 Lux Transportation, Quincy
 Luxus, Inc., Quincy
 LVIV, inc., Stoughton
 Lynx Transportation, Clinton
 Majestic Transportation, Charlton
 Malden Trans Inc., Malden
 Malka, Inc., Randolph

Management of Transportation Services, Inc., Fitchburg
 Management of Transportation Services of Gardner, Inc.
 Faith Manning, Burlington
 Marlboro City Taxi, Marlboro
 Masstran Corp., Peabody
 May Institute, W. Roxbury
 Meko Transportation Service, Springfield
 Meridian Transportation Co., Watertown
 Metro Transportation, Brighton
 Metrowest/Worcester Dial-A-Ride, Milford
 Michael Transportation Services Corp., Swampscott
 Mighty Livery Transportation, LLC, Wilmington
 Mike's Transportation, Whitinsville
 Mill City Transit LLC, Billerica
 Minute Man Arc for Human Services, Inc., Concord
 MJ Transportation, LLC, Erving
 Mobile Transportation, Brookline
 M Trans, W. Roxbury
 Mystic Service, Inc., Medford
 Mystic Transportation, Worcester
 Need-A-Lift Medivan Inc., Leominster
 New England Transit LLC, Waltham
 New England Transportation Services Inc., Brookline
 New Horizons Adult Day Health, LLC, Leominster
 New Worcester Yellow Cab, Worcester
 Pearl Nodiff, Natick
 North Shore ARC, Danvers
 N T L, Inc. LLC, Ashland
 Nurse Care Transportation, Lawrence
 Omar Transport LLC, Waban
 On Time Transportation, Revere
 Optimo Transportation, LLC, Roxbury
 Bernard Orenstein, Peabody
 Parkway Care Solutions Corp., Revere
 Patriot Limo Inc., Revere
 P D Transit, LLC, Princeton
 P. G. Incorporated, Revere
 PMR Transportation, Everett
 Precision Medical Service, LLC, Medway
 Prestige Health Care Transportation, Roxbury
 Prevalent Transport, Inc., Chicopee
 PTS, Inc., Newtonville
 Quality Care Transportation, LLC, Springfield
 Rapid Ambulance Services, Inc., Holliston
 RDMH Transportation Services, Inc., Mattapan
 Red Cab, Worcester
 Rehabilitative Resources, Inc., Sturbridge
 Reliable Transport, Brookline

R.E.M. Services Trans., LLC, Belmont
Ride For U, LLC, Stoughton
Carol J. Ringer, Lynnfield
Bertie Risso, Westford
Riverside Industries Inc., E. Hampton
R M Transportation, Inc., Watertown
Debra J. Rogers, Hyde Park
Royal Care Transportation, Framingham
Safari Transit, Inc., Amherst
Safecare Transportation Services, Worcester
Safeway Luxury Transport, Holden
Safe Ride Trans., Inc., Woburn
Samtag Transit, LLC, Worcester
SCM Community Transportation, Somerville
Seven Hills Community Services, Inc., Worcester
Shore Transit, Inc., Quincy
Six Star Transportation, Inc., Watertown
SLG Run, LLC, Holbrook
Smart Transportation, Inc., Quincy
Smiley's Taxi, Gardner
Sonic Velocity, Inc., Medford
South Shore Community Action Council, Inc., Plymouth
S. S. Transportation, Waltham
State Transportation Company, Worcester
Sunrise Transportation Company, Woburn
Sunshine Village, Inc., Chicopee
Support Management, Inc., Wilmington
SVT, Swampscott
SWCARC, The Center of Hope, Southbridge
Taxi Livery Ride Trans., Clinton
TILL, Inc., Dedham

Tommy's Taxi Inc., Framingham
Total Traveler Transportation LLC, Marshfield
Town Cab of Southbridge, Southbridge
Transportation On Call, Stoughton
Travelers Transit Inc., Woonsocket, RI
Tri-City Services Inc., Peabody
Unice International Group LLC, Springfield
US Comfort Express, LLC, W. Springfield
Valley Opportunity Council, Holyoke
VHS Transportation Company, S. Easton
Victoria's Transportation, Stoughton
Vitaliy International Trans., Waltham
Vital Transportation LLC, Everett
VT Car & Limousine, LLC, Everett
V T L Transportation, Everett
Janet Wainwright, Sudbury
We Care Trans., Newton
Wendo Transport Services, Dracut
West Medical Transportation, Inc., Stoughton
West Side Transportation, Inc., W. Springfield
Julia Williams, Ipswich
Winchendon Community Action Center, Winchendon
Women In Transit Inc., Somerville
Wood's Ambulance Inc., Gardner
Worcester Transportation Corp., Worcester
World Class Transit, Inc., Newton
WOW Transportation, Inc., Quincy
Yellow Cab Co., Springfield
Yerevan Transportation, LLC, Brighton
YMM Services, Inc., Springfield
Youth on the Move, Springfield

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Revenue and Cost of Service by Route
For the Year Ended June 30, 2010

	Revenue		Transportation		Net Interest		Net Income
	Operations	Other	Service	Administrative	(Income) Expense		(Loss)
<u>Fitchburg:</u>							
Circle Line	\$ 44,616	\$ 37,735	\$ 364,979	\$ 137,829	\$ 5,436	\$	(425,893)
Main Line	38,732	32,759	316,436	119,498	4,713		(369,156)
Fitchburg Intown	155,172	131,240	720,512	272,091	10,732		(716,923)
Intercity Service	9,651	8,163	56,725	21,421	845		(61,177)
ADA/Dial-A-Ride	85,833	72,595	497,812	187,992	7,415		(534,791)
Fitchburg Total	334,004	282,492	1,956,464	738,831	29,141		(2,107,940)
<u>Leominster:</u>							
Circle Line	101,812	92,984	706,208	259,244	10,246		(780,902)
Main Line	88,386	80,722	613,080	225,057	8,895		(677,924)
Leominster Intown	13,869	12,666	96,201	35,315	1,396		(106,377)
Intercity Service	5,197	4,746	36,048	13,233	523		(39,861)
ADA/Dial-A-Ride	84,526	77,197	495,272	181,811	7,186		(522,546)
Leominster Total	293,790	268,315	1,946,809	714,660	28,246		(2,127,610)
<u>Lunenburg:</u>							
Fixed Route	8,890	8,766	56,909	30,263	1,170		(70,686)
ADA/Dial-A-Ride	3,486	3,437	20,319	10,805	418		(24,619)
Lunenburg Total	12,376	12,203	77,228	41,068	1,588		(95,305)
<u>Lancaster</u>							
Fixed Route	1,111	4,433	7,114	17,855	729		(20,154)
ADA/Dial-A-Ride	436	1,740	2,540	7,007	260		(7,631)
Lancaster Total	1,547	6,173	9,654	24,862	989		(27,785)
<u>Gardner:</u>							
Circle Routes 1&2	38,566	47,966	392,605	142,670	5,583		(454,326)
MWCC	10,338	12,858	74,848	27,199	1,064		(79,915)
Link Service	16,394	20,390	278,146	101,076	3,955		(346,393)
ADA/Dial-A-Ride	53,413	66,432	245,575	89,240	3,492		(218,462)
Gardner Total	118,711	147,646	991,174	360,185	14,094		(1,099,096)
Councils on Aging	61,114	75,617	1,947,276	197,474	11,682		(2,019,701)
Dial-A-MART	496,301	-	507,287	240,972	-		(251,958)
TOTAL	\$ 1,317,843	\$ 792,446	\$ 7,435,892	\$ 2,318,052	\$ 85,740	\$	(7,729,395)

See accompanying notes to financial statements.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Brokerage Program Revenue and Cost of Service
For the Year Ended June 30, 2010

	Revenue from Operations	Transportation Service	Administration	Net Interest (Income)/Expense	Net Income/(Loss)
SPECIAL EDUCATION					
Ashburnham/Westminster	\$ 858,993	\$ 810,354	\$ 44,834	\$ 3,805	\$ -
Fitchburg	632,039	596,260	32,979	2,800	-
Gardner	669,012	631,143	34,905	2,964	-
Leominster	1,061,760	1,001,652	55,404	4,704	-
Lunenburg	102,181	96,397	5,331	453	-
Nashoba	8,686	8,194	454	38	-
N. Middlesex	16,909	15,372	1,465	72	-
Shirley	179,338	169,187	9,356	795	-
Other	69,444	65,373	3,764	307	-
TOTAL SPECIAL EDUCATION	3,598,362	3,393,932	188,492	15,938	-
COMMONWEALTH OF MASSACHUSETTS					
Department of Public Health-EIP	2,193,728	2,193,724	124,335	10,302	(134,633)
Division of Medical Assistance	17,606,539	16,828,793	953,813	79,027	(255,094)
Dial-A-MART	2,154,315	2,123,534	120,356	9,972	(99,547)
Department of Developmental Services	38,084,099	38,075,203	2,158,005	178,800	(2,327,909)
Department of Developmental Services Administration	10,357,855	10,358,713	587,105	48,644	(636,607)
	3,941,451	59,204	3,356	278	3,878,613
TOTAL COMMONWEALTH OF MASSACHUSETTS	74,337,987	69,639,171	3,946,970	327,023	424,823

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Allocation of Net Cost of Service
For the Year Ended June 30, 2010

	Fixed Route	Councils on Aging	Total	General and Administrative	Federal Assistance	Other Income	Cost of Service	Self-Funded Brokerage	State Assistance	Local Assessment	Local Capital
Fitchburg	\$ 1,675,935	\$ 388,221	\$ 2,064,156	\$ 805,994	\$ (636,601)	\$ (178,583)	\$ 2,054,966	\$ (143,809)	\$ (1,404,746)	\$ (562,428)	\$ (56,017)
Leominster	1,713,143	320,534	2,033,677	684,048	(603,027)	(169,886)	1,944,812	(136,100)	(1,329,446)	(532,280)	(53,014)
Gardner	724,863	115,664	840,527	373,668	(264,956)	(104,398)	844,841	(59,123)	(577,521)	(231,226)	(23,029)
Ayer		100,573	100,573	29,654	(29,786)	(2,720)	97,721	(6,839)	(66,800)	(26,745)	(2,663)
Lancaster	8,107	72,730	80,837	25,848	(24,453)	(2,182)	80,050	(5,602)	(54,721)	(21,909)	(2,182)
Sterling		55,876	55,876	15,876	(16,487)	(1,175)	54,090	(3,785)	(36,975)	(14,804)	(1,474)
Ashburnham		78,331	78,331	22,772	(12,480)	(1,935)	86,688	(6,067)	(64,640)	(18,344)	(2,363)
Hubbardston		47,873	47,873	13,956	(7,628)	(1,206)	52,995	(3,709)	(39,517)	(11,214)	(1,445)
Shirley		60,752	60,752	32,158	(21,265)	(1,878)	69,767	(4,880)	(47,692)	(19,095)	(1,902)
Littleton		94,160	94,160	28,710	(27,984)	(3,076)	91,810	(6,425)	(62,760)	(25,128)	(2,503)
Templeton	19,631	110,924	130,555	42,548	(39,693)	(3,365)	130,045	(9,101)	(88,897)	(35,592)	(3,545)
Westminster		118,188	118,188	34,214	(34,938)	(2,842)	114,622	(8,021)	(78,355)	(31,371)	(3,125)
Hardwick		61,310	61,310	18,537	(9,808)	(1,912)	68,127	(4,768)	(50,800)	(14,416)	(1,857)
Lunenburg	64,852	54,187	119,039	42,634	(36,641)	(6,222)	118,810	(8,314)	(81,219)	(32,518)	(3,241)
Winchendon	25,356	42,331	67,687	20,378	(10,822)	(3,115)	74,128	(5,188)	(55,275)	(15,686)	(2,021)
Harvard		39,577	39,577	11,808	(6,322)	(1,148)	43,915	(3,073)	(32,746)	(9,293)	(1,197)
Bolton		10,218	10,218	3,101	(495)	(326)	12,498	(875)	(9,319)	(2,645)	(341)
Boxborough		47,383	47,383	13,804	(2,287)	(1,188)	57,712	(4,039)	(43,034)	(12,212)	(1,573)
Ashby		30,650	30,650	8,870	(4,880)	(738)	33,902	(2,372)	(25,280)	(7,174)	(924)
Stow		36,680	36,680	5,071	(1,548)	(1,152)	39,051	(2,733)	-	(37,383)	(1,065)
Totals	\$ 4,231,887	\$ 1,886,162	\$ 6,118,049	\$ 2,233,649	\$ (1,792,101)	\$ (489,047)	\$ 6,070,550	\$ (424,823)	\$ (4,149,743)	\$ (1,661,463)	\$ (165,481)

See accompanying notes to financial statements.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Schedule of General and Administrative Expenses
For the Year Ended June 30, 2010

ADMINISTRATIVE	BROKERAGE PROGRAMS	REGIONAL TRANSIT AUTHORITY	TOTAL
Insurance-liability	\$ 125,873	\$ 125,872	\$ 251,745
Insurance-van	115,099	213,754	328,853
Insurance-bus	-	109,618	109,618
Advertising	-	3,298	3,298
In Kind - Grant	-	9,945	9,945
Printing	6,241	6,241	12,482
Consultants (MRPC)	33,433	133,732	167,165
Staff Payroll	2,186,488	653,107	2,839,595
Legal	10,473	10,473	20,946
Audit	12,500	12,500	25,000
Supplies	34,900	10,425	45,325
Small Equipment	16,022	4,786	20,808
Travel/Meetings	8,827	2,207	11,034
Rent	200,000	-	200,000
Consultants - Computer	266,682	177,788	444,470
Consultants - Grants	-	152,712	152,712
Consultants (CATA)	117,326	-	117,326
Staff fringes/taxes	460,083	137,428	597,511
Miscellaneous	9,532	9,531	19,063
Local Capital	70,135	165,481	235,616
Telephone	263,306	42,864	306,170
Reserve Fund	-	2,266	2,266
Utilities Maintenance Water St. Facility	-	197,356	197,356
Utilities Maintenance ITC Facility	198,542	49,635	248,177
Utilities Maintenance Gardner Facility	-	45,011	45,011
Utilities Maintenance N. Main Facility	-	42,022	42,022
Total Administrative	4,135,462	2,318,052	6,453,514
GENERAL			
Debt Service / Bank fees	17,218	4,305	\$ 21,523
Interest Expense	336,266	84,066	420,332
Ticket Agency Expense	-	198,847	198,847
Commuter Rail Interface	-	162,062	162,062
Total General	353,484	449,280	802,764
Total Administrative and General	\$ 4,488,946	\$ 2,767,332	\$ 7,256,278

See accompanying notes to financial statements.

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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 of
Montachusett Regional Transit Authority

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montachusett Regional Transit Authority as of and for the year ended June 30, 2010, which collectively comprise Montachusett Regional Transit Authority's basic financial statements and have issued our report thereon dated October 1, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Montachusett Regional Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montachusett Regional Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Montachusett Regional Transit Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or

detected and corrected on a timely basis. We consider the deficiencies 2010-01 through 2010-04 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montachusett Regional Transit Authority's financial statements are free of 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*.

We noted certain other matters that we reported to management of Montachusett Regional Transit Authority in a separate letter dated October 1, 2010.

This report is intended solely for the information and use of management, the Advisory Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, reading "Letarte & Singleton".

Letarte & Singleton
October 1, 2010

Montachusett Regional Transit Authority
Schedule of Material Weaknesses and/or Significant Deficiencies
For The Year Ended June 30, 2010

Material Weaknesses:

2010-01: Untimely Year End Close

Condition: The Authority does not close out their year-end in a timely manner.

Criteria: The timeliness of the year end close is integral in meeting the Commonwealth imposed deadlines for preparation and submission of the audited financial statements.

Cause: The Authority does not maintain a consistent monthly close and reconciliation of its sub-ledgers to the general ledger. Reconciliation of these sub-ledgers for the year-end close required additional time, delaying the commencement of the audit.

Effect: The delay caused the Authority to provide its audited financial statements to the Commonwealth after the required deadline.

Recommendation: Additional staff and training is recommended in order for the Authority to meet these deadlines.

Views of Responsible Officials and Planned Corrective Actions: The Authority is considering hiring an additional staff in the accounting department subject to budget constraints.

2010-02: Compensated Absences

Condition: Compensated absences are not being accrued and reflected appropriately in the Authority's general ledger

Criteria: Compensated absences should be measured and accrued to the extent it is probable that the Authority will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement.

Cause: The cost of compensated absences should be calculated and reflected in the Authority's general ledger to appropriately reflect the liability and expense.

Effect: The Authority's employment costs and related liability would be incorrectly reflected.

Recommendation: The accounting staff should calculate and accrue the liability annually.

Views of Responsible Officials and Planned Corrective Actions: The accounting staff intends to calculate and accrue the liability annually.

2010-03: Sale of Communication Equipment

Condition: The Authority improperly capitalized and depreciated various communication equipment purchased with the intent of selling it immediately.

Criteria: The Authority conducted a one year pilot program for the initial equipment. Upon acceptance of the pilot program, the Authority then entered a new agreement where additional equipment was purchased and immediately sold this communications equipment to one of its vendors. The Authority will receive reimbursement for the equipment over several years.

Cause: The improper recognition of capitalized assets, depreciation, and gain on disposal was caused by an error in recording.

Effect: The Authority improperly overstated fixed asset accounts on the balance sheet as well as depreciation expense and gain on disposal of the equipment.

Recommendation: The Authority should only capitalize as fixed asset additions that it has placed in service for its own use.

Views of Responsible Officials and Planned Corrective Actions: The Authority has already implemented corrective action.

**Montachusett Regional Transit Authority
Summary Schedule of Prior Year Audit Findings
For The Year Ended June 30, 2010**

2009-01: Preparation of Financial Statements

Condition: This finding was a material weakness stating that the Authority does not have the technical expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Recommendation: The auditor recommended the Authority provide training to its employees in order for them to obtain the necessary technical abilities.

Current Status: The current staff appears capable of preparing the financial statements in accordance with generally accepted accounting principles.

2009-02: Untimely Year End Close

Condition: The Authority does not close out their year-end in a timely manner

Recommendation: The auditor recommended the Authority provide training to its employees in order for them to obtain the necessary technical abilities.

Current Status: This condition continues to exist. See the current year findings.

2009-03: Improper Accounting Treatment of Accounts Receivable

Condition: The Authority improperly recognized grant receivables in their accounting records based upon grant award rather than in compliance with GASB 33.

Recommendation: The auditor recommended the Authority provide training to its employees in order for them to obtain the necessary technical abilities.

Current Status: The Authority presently records grant revenues and receivables in accordance with GASB 33.