

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

Financial Statements
and
Independent Audit's Reports

June 30, 2011

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DAVID J. SINGLETON
CERTIFIED PUBLIC ACCOUNTANT
66 West Street - Leominster, Massachusetts 01453
Office (978) 840-6920 Fax (978) 840-6970

INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of
Montachusett Regional Transit Authority

I have audited the accompanying statement of net assets of Montachusett Regional Transit Authority, (component unit of the Commonwealth of Massachusetts) as of June 30, 2011, 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. My responsibility is to express an opinion on these financial statements based on my audit.

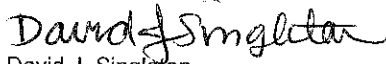
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2011 and 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 12, 2012, on my consideration of Montachusett Regional Transit Authority's internal control over financial reporting and on my 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 my 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 2 through 8 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montachusett Regional Transit Authority's financial statements as a whole. The supplementary section on pages 26 through 29, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary section of pages 26 through 29 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.


David J. Singleton
Certified Public Accountant
January 12, 2012

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2011

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, 2011. 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 \$1,727,765 during FY 2011. 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 maintenance of equipment were also a factor.
- The Authority was able to obtain a favorable interest rate for borrowing on its Revenue Anticipation Note of 1.115% in August 2011, compared to 1.60% for the prior note.
- The Authority's Federal 5307 funds used for operations was \$2,064,000 in FY 2011. 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 \$77,946,872 in FY 2010 to \$80,089,602, about a 2.8% increase.
- The Authority was able to maintain its basic services at its last year levels. Service revenue remained steady. Additional State Contract Assistance is required to pay for maintaining the same services. The Authority has not seen an increase 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.

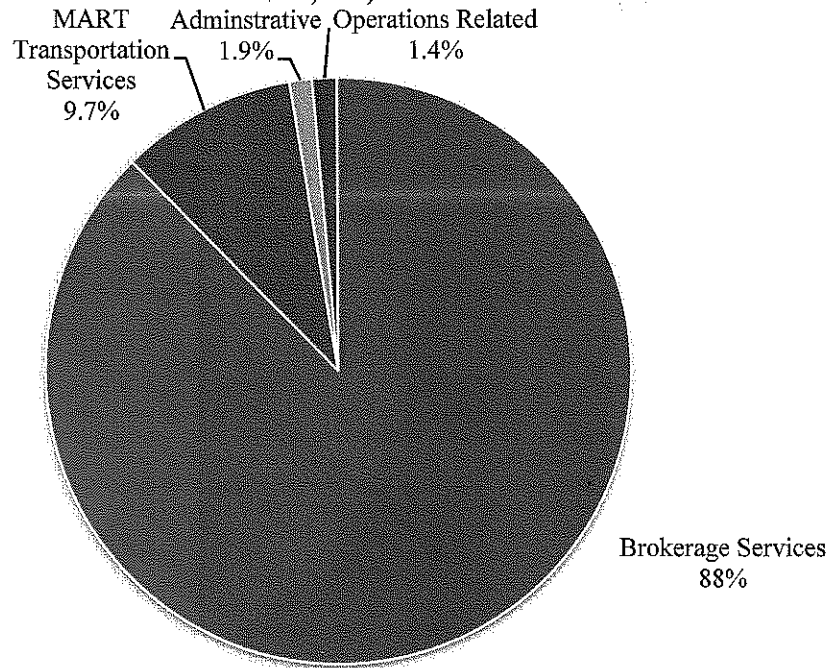
As seen in the following charts a large percentage of service the Authority provides is covered by its brokerage services, a self (fully) funded program requiring no funds outside of the program funds paid by the Human Services Transportation Agency (HST) with the understanding that HST continues with 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, 2011**

2011

Expenses Including Brokerage Services

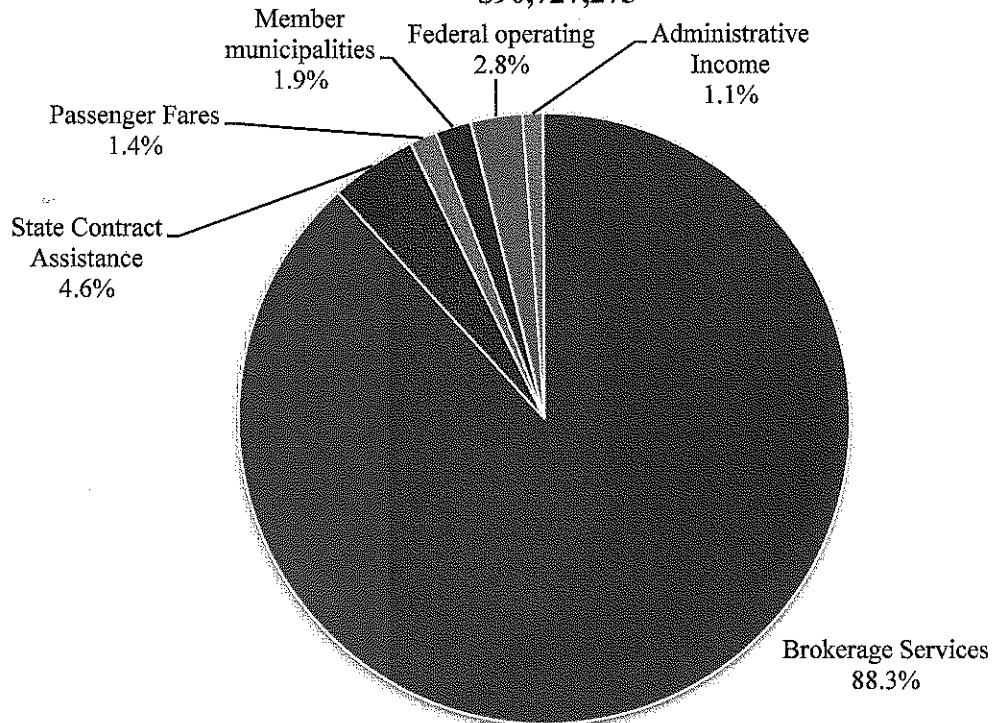
\$90,727,273



2011

Revenues Including Brokerage Services

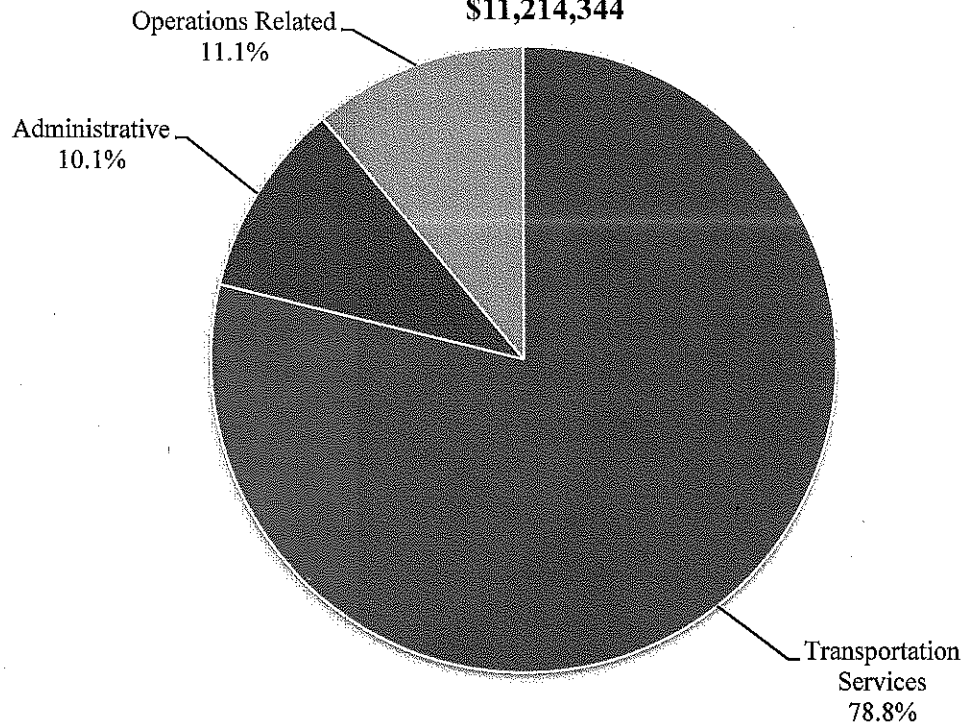
\$90,727,273



Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2011
2011

Expenses Excluding Brokerage Services

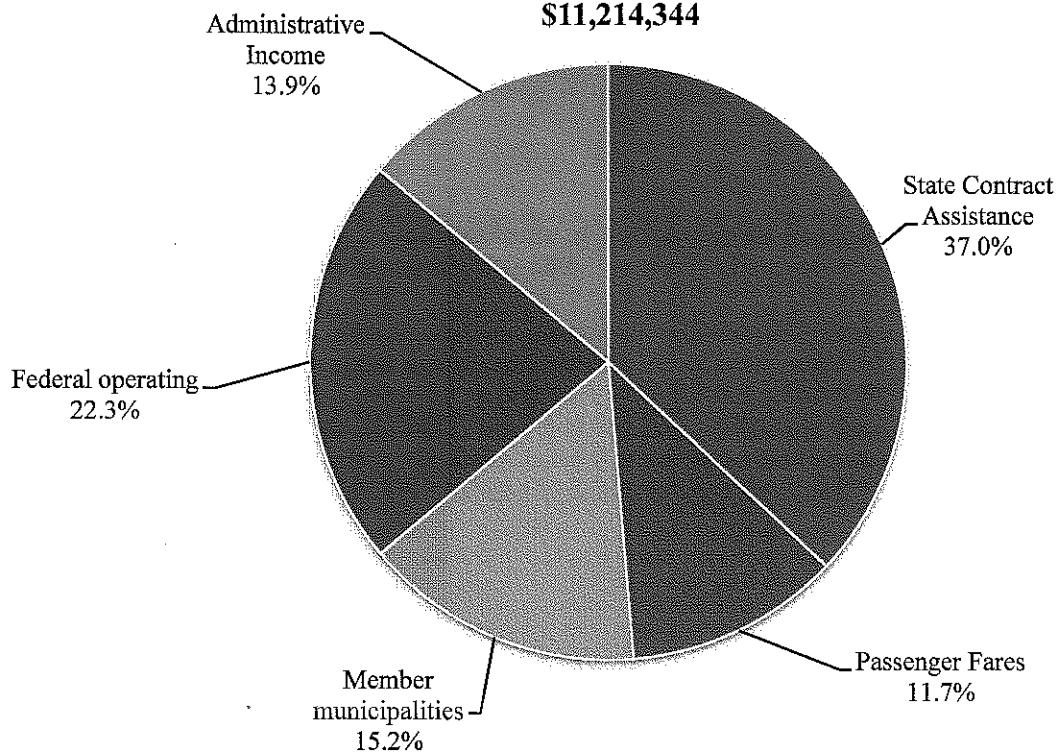
\$11,214,344



2011

Revenues Excluding Brokerage Services

\$11,214,344



Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2011

Government Financial Analysis

The table below provides a summary of the Authority's net assets for 2011 and 2010.

	<u>2011 Business- type Activities</u>	<u>2010 Business- type Activities</u>
<u>Assets</u>		
Current and other assets	\$ 26,648,905	\$ 25,672,525
Capital assets	<u>41,671,287</u>	<u>39,943,522</u>
Total assets	<u>68,320,192</u>	<u>65,616,047</u>
<u>Liabilities</u>		
Long-term liabilities	791,444	919,857
Other liabilities	<u>31,345,179</u>	<u>30,421,660</u>
Total liabilities	<u>32,136,623</u>	<u>31,341,517</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	40,768,261	38,913,940
Unrestricted	<u>(4,584,692)</u>	<u>(4,639,410)</u>
Total net assets	<u>\$ 36,183,569</u>	<u>\$ 34,274,530</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Authority's assets exceeded liabilities by \$36,183,569.

Capital assets reported on the government-wide statements represent the largest portion of the Authority's net assets. As of June 30, 2011, 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, 2011, were \$40,768,261. 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, 2011 and 2010

Change in Net Assets:

The table below shows the changes in net assets for the fiscal year 2011 and 2010.

	2011	2010	Change
Operating Revenues			
Transportation Revenue-Self Funded	\$ 80,082,804	\$ 77,936,349	\$ 2,146,455
Transportation Revenue-Urban/Rural Service	1,309,456	1,317,843	(8,387)
Total Operating Revenues	<u>81,392,260</u>	<u>79,254,192</u>	<u>2,138,068</u>
Non-Operating Revenues			
Federal Operating	2,497,829	1,792,101	705,728
Commonwealth of Mass operating	4,149,741	4,149,743	(2)
Member Municipalities	1,702,997	1,661,463	41,534
Interest Income	8,497	13,154	(4,657)
Gain of Disposal of Capital Asset	-	2,278	(2,278)
Other Income	975,949	854,614	121,335
Total Non-Operating Revenues	<u>9,335,013</u>	<u>8,473,353</u>	<u>861,660</u>
Total Revenues	<u>90,727,273</u>	<u>87,727,545</u>	<u>2,999,728</u>
Operating expenses			
Transportation Expense-Self Funded	74,612,465	73,033,103	1,579,362
Transportation Expense-Urban/Rural Service	8,840,510	7,435,892	1,404,618
Administrative	6,895,474	6,578,807	316,667
Depreciation and amortization	2,794,072	1,531,575	1,262,497
Total Operating Expenses	<u>93,142,521</u>	<u>88,579,377</u>	<u>4,563,144</u>
Non-Operating Expenses			
Interest Expense	378,820	441,855	(63,035)
Loss on Disposal of Capital Assets	156,258	-	156,258
	<u>535,078</u>	<u>441,855</u>	<u>93,223</u>
Total Expenses	<u>93,677,599</u>	<u>89,021,232</u>	<u>4,656,367</u>
Change in Net Assets	(2,950,326)	(1,293,687)	(1,656,639)
Contributed Capital	<u>4,859,365</u>	<u>3,593,297</u>	<u>1,266,068</u>
Beginning Net Assets	<u>34,274,530</u>	<u>31,974,920</u>	<u>2,299,610</u>
Net Assets End of Year	<u>\$ 36,183,569</u>	<u>\$ 34,274,530</u>	<u>\$ 1,909,039</u>

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2011

Capital Assets:

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Land Improvements	\$ 442,415	\$ 151,153	\$ -	\$ 593,568
Depreciable Properties:				
Building/Improvements Fitchburg Parking	12,759,714	-	-	12,759,714
Building/Improvements Fitchburg Intermodal	3,521,163	-	1,922	3,519,241
Building/Improvements Leominster Parking Lot	3,514,570	14,504	-	3,529,074
Building/Improvements Leominster Storage	2,306,123	39,749	-	2,345,872
Building/Improvements Fitchburg Maintenance	8,797,915	111,212	35,437	8,873,690
Building/Improvements Gardner Maintenance	7,489,256	6,540	-	7,495,796
Improvements Fitchburg Rail	965,227	-	-	965,227
Improvements Wachusett Rail	847,072	59,261	-	906,333
Other Fixed Assets	1,960,235	141,487	709,886	1,391,836
Transportation Equipment	17,360,651	1,923,578	2,150,549	17,133,680
	<u>59,521,926</u>	<u>2,296,331</u>	<u>2,897,794</u>	<u>58,920,463</u>
Less Accumulated Depreciation For:				
Building/Improvements Fitchburg Parking	(1,171,685)	(390,736)	-	(1,562,421)
Building/Improvements Fitchburg Intermodal	(1,631,888)	(115,040)	(1,922)	(1,745,006)
Building/Improvements Leominster Parking Lot	(1,360,099)	(232,965)	-	(1,593,064)
Building/Improvements Leominster Storage	(490,182)	(78,309)	-	(568,491)
Building/Improvements Fitchburg Maintenance	(5,077,036)	(302,303)	(35,437)	(5,343,902)
Building/Improvements Gardner Maintenance	(253,154)	(253,301)	-	(506,455)
Improvements Fitchburg Rail	-	-	-	-
Improvements Wachusett Rail	-	-	-	-
Other Fixed Assets	(1,483,905)	(190,699)	(709,886)	(964,718)
Transportation Equipment	(11,132,722)	(1,230,721)	(2,072,155)	(10,291,288)
	<u>(22,600,671)</u>	<u>(2,794,074)</u>	<u>(2,819,400)</u>	<u>(22,575,345)</u>
Net Depreciable Property:	36,921,255	(497,743)	78,394	36,345,118
Construction In Progress	2,579,890	2,230,576	77,864	4,732,602
Capital Assets, Net:	<u>\$ 39,943,560</u>	<u>\$ 1,883,986</u>	<u>\$ 156,258</u>	<u>\$ 41,671,288</u>

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Management Discussion and Analysis
For the Year Ended June 30, 2011

The Rehabilitation and Construction of an addition to the Vehicle Storage Facility on North Main Street in Leominster was nearly completed by the end of FY 2011. 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 included 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 FY2011.

The Authority has been awarded a Federal TIGER Discretionary Grant for \$55,500,000 with cooperation from the Massachusetts Bay Transportation Authority for the extension of the Fitchburg Commuter Rail Line and the creation of a Wachusett Station and 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.

Construction drawings, specifications and bidding documents are being completed for the North Leominster Park and Ride Commuter Rail Parking Facility. The Authority received State and Federal Capital funding for this project which will go out to bid in FY2012.

Financial Analysis:

- Transportation Services-The Brokerage program continues to expand while funding itself.
- The State Assistance funding did not change. This was due to the State making a significant reimbursement reduction for FY10 and level funding FY11 and FY12 based on FY10's already reduced amount. Local assessment has increased by 2.5% in accordance with Proposition 2 ½.
- Usage of Federal Operating Assistance increased.

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.

Funding of the Authority:

- Expenses for all services less the brokerage program were \$11.2 million, and were funded by the following:

Authority generated revenue	= 26%
Federal operation funds	= 22%
Local contribution	= 15%
Commonwealth assistance	= 37%

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Statement of Net Assets
For the Year Ended June 30, 2011

Cash and Cash Equivalents	\$ 2,690,095
Receivables for Operating Assistance	
U.S. Department of Transportation	935,812
Commonwealth of Massachusetts and Cities and Towns	
Constituting the Authority	6,409,188
Receivables for Capital Grants	
U.S. Department of Transportation	880,415
Commonwealth of Massachusetts and Cities and Towns	
Constituting the Authority	636,857
Accounts Receivable (Less Allowance for Doubtful Accounts of \$11,000)	13,149,185
Other Assets	431,597
Total Current Assets	<u>25,133,149</u>
Capital Assets	
Non Depreciable Capital Assets	5,326,170
Depreciable Capital Assets, Net of Accumulated Depreciation	36,345,117
Net Capital Assets	<u>41,671,287</u>
Noncurrent Receivables for Operating Assistance	<u>1,515,756</u>
Total Assets	<u><u>\$ 68,320,192</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ 9,825,324
Accrued Expenses	277,646
Deferred Revenue	91,875
Revenue Anticipation Notes Payable	18,700,000
Note Payable - Line of Credit	2,000,000
Short Term Portion of Long Term Debt	111,582
Accrued Interest	338,752
Total Current Liabilities	<u>31,345,179</u>
Long Term Liabilities	
Long Term Debt	<u>791,444</u>
Total Liabilities	<u>32,136,623</u>
Net Assets	
Unrestricted	
Invested in Capital Assets, Net of Related Debt	40,768,261
(Deficit)	<u>(4,584,692)</u>
Total Net Assets	<u>36,183,569</u>
Total Liabilities and Net Assets	<u><u>\$ 68,320,192</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, 2011

Operating Revenues	
Transportation Revenue - Brokerage	\$ 80,082,804
Transportation Revenue-Urban/Rural Service	<u>1,309,456</u>
Total Operating Revenues	<u>81,392,260</u>
Operating expenses	
Transportation Expense - Brokerage	74,612,465
Transportation Expense-Urban/Rural Service	8,840,510
Administrative (Including Brokerage Administrative)	6,895,474
Depreciation and Amortization	<u>2,794,072</u>
Total Operating Expenses	<u>93,142,521</u>
Operating Loss	(11,750,261)
Non-Operating Revenues (Expenses)	
Federal Operating	2,497,829
Commonwealth of Massachusetts	4,149,741
Member Municipalities	1,702,997
Interest Expense	(378,820)
Interest Income	8,497
Loss on Disposal of Capital Assets	(156,258)
Other Income, Net	<u>975,949</u>
Total Non-Operating Revenues	<u>8,799,935</u>
Change in Net Assets	(2,950,326)
Net Assets at the Beginning of the Year (Restated)	<u>34,274,530</u>
Contributed Capital	<u>4,859,365</u>
Net Assets at the End of the Year	<u>\$ 36,183,569</u>

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from passenger fares and contract reimbursements	\$ 80,236,361
Cash paid to vendors	(79,491,280)
Cash paid for administration	<u>(6,895,474)</u>

NET CASH USED BY OPERATING ACTIVITIES (6,150,393)

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Interest Income	8,497
Subsidy received for Capital Grants	4,323,877
Subsidy received for Operating Grants	6,815,738
Purchase of Capital Assets	(4,678,059)
Cash Proceeds from the Sale of Assets	19,550
Other Income	<u>956,399</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES 7,446,002

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Revenue Anticipation Notes	18,774,810
Principal Payments on Revenue Anticipation Notes	(18,574,810)
Interest Payments on Revenue Anticipation Notes	(341,750)
Principal Payments on Notes Payable	(109,706)
Interest Payments on Notes Payable	<u>(48,725)</u>

NET CASH USED FOR FINANCING ACTIVITIES (300,181)

NET INCREASE IN CASH AND CASH EQUIVALENTS 995,428

BEGINNING CASH AND CASH EQUIVALENTS 1,694,667

ENDING CASH AND CASH EQUIVALENTS \$ 2,690,095

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

Operating Loss	\$ (8,930,863)
Depreciation and amortization	2,794,072
Changes in Assets and Liabilities:	
Increase in Receivables	(1,155,899)
Decrease in Other Assets	385,936
Increase in Payables	839,775
Decrease in Accrued Expenses	<u>(83,414)</u>

Net Cash Used in Operating Activities \$ (6,150,393)

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, 2011

	Urbanized Area Service	Rural Area Service	Brokerage Services	Total Area Service
Operating Costs				
RTA Administration Costs (excluding depreciation)	\$ 2,208,880	\$ 96,766	\$ 4,589,832	\$ 6,895,478
Purchased Services				
Fixed Route	5,170,301	42,717	-	5,213,018
Demand Reponse	3,189,554	437,938	-	3,627,492
Brokerage Services	-	-	74,612,465	74,612,465
Debt Service	64,504	3,684	310,632	378,820
Total Operating Costs	10,633,239	581,105	79,512,929	90,727,273
Federal Operating Assistance				
FTA Operating & Administrative	2,064,000	36,202	-	2,100,202
Other Federal	373,479	24,148	-	397,627
Total Federal Assistance	2,437,479	60,350	-	2,497,829
Revenues				
Operating	1,291,174	18,282	-	1,309,456
Brokerage Service Reimbursement	-	-	80,082,804	80,082,804
MBTA/Other Third Party Reimbursement	-	-	-	-
Other Revenues				
Advertising	26,795	1,734	-	28,529
Interest Income	1,682	17	6,798	8,497
Miscellaneous	932,990	14,430	-	947,420
Total Revenues	2,252,641	34,463	80,089,602	82,376,706
Net operating deficit	5,943,119	486,292	(576,673)	5,852,738
Adjustments	-	-	-	-
Net Cost of Service	5,943,119	486,292	(576,673)	5,852,738
Net Cost of Service Funding				
Local Assessments	1,574,189	128,808	-	1,702,997
State Contract Assistance	3,835,873	313,868	-	4,149,741
Unreimbursed surplus (deficit)	\$ (533,057)	\$ (43,616)	\$ 576,673	\$ -
State Contract Assistance	\$ 3,835,873	\$ 313,868	\$ -	\$ 4,149,741
1. Less: Partial payment made by EOTC after June 30	3,644,079	298,175	-	3,942,254
Balance Requested from the State	\$ 191,794	\$ 15,693	\$ -	\$ 207,487

See accompanying notes to financial statements and independent auditor's report.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2011

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, 2011

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 \$79,658 for the year ended June 30, 2011. 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 \$31,827 for the year ended June 30, 2011. 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 \$63,654 for the year ended June 30, 2011. 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, 2011

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/MA Health (“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, Ayer, Shirley, Ashburnham, Westminster, Lunenburg and Winchendon. 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 251 brokerage program operators for the fiscal year ended June 30, 2011. 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, 2011

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, 2011

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 \$2,794,072 for the year ended June 30, 2011.

Restricted Assets and Restricted Liabilities

Restricted assets are restricted for the acquisition of capital assets under the terms delineated in the Authorities 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, 2011, the bank balance of uninsured deposits totaled \$99,241. These deposits are invested in government securities only.

Interest Rate Risk

As of June 30, 2011, the Authority's held investments in the State Treasurer's investment pool (MMDT). The fair value of the MMDT investment was \$2,334,430 and its average maturity was less than one year.

Credit Risk

As of June 30, 2011, 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, 2011

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, 2011, 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 \$13,939,205. 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 2011 was \$4,149,741. In addition, the various cities and towns constituting the Authority contributed assistance in the amount of \$1,702,997 for 2011.

The non-current Commonwealth of Massachusetts receivables of \$1,515,756 in the accompanying statements of net assets for 2011 is related to funds due from the Commonwealth for fiscal year 2010 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, 2011

Note F – Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Capital assets, not being depreciated:				
Land	\$ 442,415	\$ 151,153	\$ -	\$ 593,568
Construction in progress	2,579,890	2,230,576	77,864	4,732,602
Total capital assets not being depreciated:	3,022,305	2,381,729	77,864	5,326,170
Capital assets, being depreciated:				
Buildings	40,201,040	231,266	37,359	40,394,947
Vehicles, Fareboxes and related assets	17,360,651	1,923,578	2,150,549	17,133,680
Other Fixed Assets	1,960,235	141,487	709,886	1,391,836
Total capital assets, being depreciated	59,521,926	2,296,331	2,897,794	58,920,463
Total accumulated depreciation	22,600,671	2,794,074	2,819,400	22,575,345
Total capital assets, being depreciated, net	36,921,255	(497,743)	78,394	36,345,118
Governmental activities capital assets, net	\$ 39,943,560	\$ 1,883,986	\$ 156,258	\$ 41,671,288

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, 2011

Note G – Revenue Anticipation Notes (Continued)

During the year ended June 30, 2011, the following changes occurred in the Authority's Revenue Anticipation Notes (RAN):

The RAN outstanding at June 30, 2011 consisted of one note totaling \$18,700,000. This note bore an interest rate of 1.60% NIC. This note was due in August 2011. The \$18,700,000 RAN was repaid in August 2011 and new RAN was issued for \$19,500,000. The Authority had an interest expense of \$307,051 related to this note in 2011.

Note H- Long Term Debt

During the year ended June 30, 2011, the following changes occurred in long-term liabilities.

Business-Type Activities	Interest Rate	Original Amount	Maturity Date	Balance 7/1/10	Reductions	Total Balance 6/30/11	Short-Term Portion	Long-Term Portion
Note Payable-Enterprise Bank & Trust	5.95%	283,000	6/2013	179,582	(73,223)	106,359	(58,249)	48,110
Note Payable - Fitchburg Redevelopment Authority	0%	1,050,000	6/2026	850,000	(53,333)	796,667	(53,333)	743,334
Total Business-Type Activities				<u>\$ 1,029,582</u>	<u>\$ (126,556)</u>	<u>\$ 903,026</u>	<u>\$ (111,582)</u>	<u>\$ 791,444</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, 2012	\$ 111,582	\$ 4,752
For the year ended June 30, 2013	98,514	1,086
For the year ended June 30, 2014	53,333	-
For the year ended June 30, 2015	53,333	-
For the year ended June 30, 2016	53,333	-
Thereafter	<u>532,931</u>	<u>-</u>
Total	<u>\$ 903,026</u>	<u>\$ 5,838</u>

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Notes to the Financial Statements
For the Year Ended June 30, 2011

Note I-Note Payable-Line of Credit

The Commercial Line of Credit outstanding at June 30, 2011 was \$2,000,000. This unsecured debt is due on demand requiring monthly payments of interest only (3.25% at June 30, 2011). 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, 2011.

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 \$86,592 for the year ended June 30, 2011.

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. The total accrual for June 30, 2011 was \$173,132.

Note M – Subsequent Events

The Authority has evaluated subsequent events through October 1, 2011, 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 251
For the Year Ended June 30, 2011

2 and From Transport, Inc., Athol	Braintree Blue Cab, Weymouth
A & E Transportation, Boston	Bridgewell, Inc., Lynnfield
A & E Transport Services, Worcester	Broadway Taxi Inc., Falmouth
AAA Express, Inc., Natick	Broadway Transportation of Revere, Inc., Revere
A-CS Transportation Inc., Mattapan	Christina Brown, Lincoln
ADH Transit Services, Worcester	Paul Burke, Belmont
ANB Transportation, Inc., Waltham	Busy Bee Transportation, Ashland
Aaron's Transportation, Inc., Allston	CCCP Transportation, Inc., Brighton
Absolutransit, Gardner	C C Resources Group, Woburn
Access Care Ride, Leominster	Ann H. Calitri, Marshfield
Aegis Medical Transport, S. Easton	Camme Transportation, Inc., Andover
Allroad Transportation Corp., Brighton	Cape Ann Transportation Operating Co., Gloucester
All Seasons Transportation, Woburn	Eileen Cappello, Plymouth
Allstate Transportation Solution, Inc., Ashland	Careplus Transportation, Worcester
Alternatives Unlimited, Inc., Whitinsville	Care Transit, LLC, Chicopee
Alter-Ride Van Service, Dunstable	Caring Choice Transportation, Inc., Georgetown
American Training, Inc., Lawrence	Angela Caswell, Plymouth
Angel's Care Transportation, LLC, Lowell	Chryston's Transportation, LLC, Peabody
Angel Transportation, Westford	City Cab Company, Inc., Fitchburg
Deborah Apraku, Malden	City Voyager Corp., Ashland
Ararat Transportation, Inc., Waltham	Class Inc., Lawrence
Atlas Livery, E. Boston	Classic of Leominster, Leominster
Bamcha Transportation, LLC, Sturbridge	Client Care Solutions, Inc., Lynn
Barry L. Price Rehabilitation Center, Inc., W. Newton	Clinton Livery Inc., Clinton
Bass River, Inc., Beverly	Lisa Colleameno, Malden
Bay State Transportation Co., Lynn	Community Access Inc., Lowell
Beaconcare, Brookline	Community Transportation Services, Inc., Indian Orchard
Beacon Transportation, Inc., Brookline	Dasa Transportation, Inc., Quincy
Beauport Ambulance Service, Inc., Gloucester	Delaney Health Care Trans, LLC, Mattapan
Marie T. Bell, Arlington	Delta Community Transportation Inc., Canton
Best Transportation, Natick	Deluxe Transportation, W. Roxbury
Bill's Taxi Service, Inc., Bridgewater	Robnielle Desir, Leominster
Bob's Taxi, Bellingham	Dial-a-Mart Services, Inc., Fitchburg
Bostonian Transportation Services, Inc., Wellesley	DNJ Transportation, Inc., W. Roxbury
Boston Limousine & Transportation, Inc., Chelsea	DN Transportation, Inc., Raynham
Boston Mass Transport, Inc., Natick	D S Express Transportation Co., Chicopee

Donahue Limousine Service, Leominster
 Dracut Transportation, Dracut
 E & A Transportation, LLC, Chestnut Hill
 E T Transportation, Ware
 Eagle Transit, LLC, Springfield
 East Springfield Transportation, Inc., Springfield
 East West Transportation, Newton
 East Middlesex Assoc. for Retarded Citizens, Reading
 Eliot Community Human Services, Lexington
 Elit Transportation, Watertown
 Fidelity House, Inc., Lawrence
 Fiem, Inc., Roxbury
 First Call Transportation, Auburndale
 First Student, Providence
 Five Stars Transportation, Natick
 Flow Transportation Services, Inc., Leominster
 Foxfield Transportation, Inc., Franklin
 Fox Limousine & Tranp. Services, Inc., Malden
 Fred's School Bus, Winchendon
 Freeline Transportation Service, Inc., W. Springfield
 Dawn Freeman, Peabody
 Mary Fuller, Hinsdale
 GAAMHA, Inc., Gardner
 Gabriel Transportation, Amherst
 Gardner Community Action Committee, Gardner
 Gentle Arms Daily Trans., Chelmsford
 Gentle Ride, Inc., Stoneham
 Gokey & Quinn Bus Co., Harvard
 Greater Lynn Senior Services, Lynn
 Greater Marlboro Programs, Marlboro
 Great Group, LLC, Burlington
 Green Cab Co., Inc., Somerville
 Green Harbor Transportation, Green Harbor
 Green Transportation, Inc., Amherst
 Groom Transportation, Inc., Brookfield
 Gusko, Inc., Worcester
 HC Transportation, Chestnut Hill
 HMA Wheelchair Transportation, Brockton
 Habilitation Assistance Group, Plymouth
 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
 JCC, Inc, Oxford
 JFK Transportation Inc., Natick
 JYL Transportation, Spencer
 Daisy Jebb, Essex
 K's Personal Transport, Inc., Oxford
 Kimberlie Kidd-Townsend, Pepperell
 Kiessling Transit Inc., Norfolk
 L. B. Transportation, Waltham
 L&D Transport Inc., Oxford
 LVIV, inc., Norwood
 Lana's Transportation, Rockland
 Joanne Law, Reading
 Life Focus of Charlestown, Inc., Charlestown
 Lifeworks, Inc., Westwood
 Lowell Regional Transit Authority, Lowell
 Lowell Transportation, Tewksbury
 Lux Transportation, Quincy
 Luxus, Inc., Quincy
 Lynx Transportation, Clinton
 MJ Transportation, LLC, Erving
 M Trans, W. Roxbury
 Majestic Transportation, Charlton
 Malden Trans Inc., Malden
 Malka, Inc., Randolph
 Management of Transportation Services, Inc., Fitchburg
 Management of Transportation Services of Gardner, Inc., Gardner
 Faith Manning, Burlington
 Marlboro City Taxi, Marlboro
 Masstran Corp., Danvers
 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

Mobile Transportation, Quinicy
 Mystic Service, Inc., Medford
 Mystic Transportation, Worcester
 Need-A-Lift Medivan Inc., Leominster
 New England Express Transportation, Inc., Roxbury
 New England Transportation Services Inc., Brookline
 New Horizons Adult Day Health, LLC, Leominster
 New Worcester Yellow Cab, Worcester
 Njideka Transportation Service, Randolph
 Pearl Nodiff, Natick
 Northeast ARC, Inc., Danvers
 NuPath, Inc., Woburn
 Nurse Care Transportation, Lawrence
 Oceanside Medical Transportation, Beverly
 Omar Transport LLC, Waban
 Optimo Transportation, LLC, Roxbury
 Bernard Orenstein, Peabody
 P D Transit, LLC, Princeton
 PTS, Inc., Newtonville
 Patriot Limo Inc., Revere
 Phil's Transportation, Wales
 Pilgrim Transportation, Inc., Quincy
 Precision Medical Service, LLC, Medway
 Prestige Livery Transportation, LLP, Winchester
 Prestige Medical Transportation, Inc., Mattapan
 Prevalent Transport, Inc., Chicopee
 Prime Solutions, Brookline
 Quality Care Transportation, LLC, Springfield
 R M Transportation, Inc., Swampscott
 Rapid Ambulance Services, Inc., Holliston
 Red Cab , Worcester
 Rehabilitative Resources, Inc., Sturbridge
 Reliable Transportation, Dracut
 Reliable Transport, Jamaica Plain
 R.E.M. Services Trans., LLC, Belmont
 Ride For U, LLC, Stoughton
 Carol J. Ringer, Lynnfield
 Bertie Risso, Westford
 Rite Way, LLC, Leominster
 Riverside Industries Inc., Easthampton
 Debra J. Rogers, Hyde Park

Royal Care Transportation, Framingham
 SCM Community Transportation, Somerville
 SLG Run, LLC, Holbrook
 SVT, Swampscott
 SWCARC, The Center of Hope, Southbridge
 Safari Transit, Inc., Northampton
 Safecare Transportation Services, Worcester
 Safeway Luxury Transport, Worcester
 Safe Ride Trans., Inc., Woburn
 Safe Transportation, Inc., Canton
 Samtag Transit, LLC, Worcester
 Sera-Ride, Salem
 Seven Hills Community Services, Inc., Worcester
 Shore Transit, Inc., Quincy
 Six Star Transportation, Inc., Watertown
 Smart Transportation, Inc., Quincy
 Smiley's Taxi, Gardner
 Sonic Velocity, Inc., Swampscott
 South Shore Community Action Council, Inc., Plymouth
 Spartacus Transportation, LLC, Millis
 State Transportation, Westborough
 State Transportation Company, Westborough
 Sunrise Transportation Company, N. Reading
 Sunshine Village, Inc., Chicopee
 Support Management, Inc., Waltham
 TILL, Inc., Dedham
 The May Institute, W. Roxbury
 The Taxi Livery Ride Trans., Clinton
 Tommy's Taxi Inc., Framingham
 Total Traveler Transportation LLC, Marshfield
 Town Cab of Southbridge, Southbridge
 Transerve, Inc., Lawrence
 Transportation On Call, Stoughton
 Travelers Transit Inc., Woonsocket, RI
 Tri-City Services Inc., Peabody
 US Comfort Express, LLC, Marlborough
 Unice International Group LLC, Springfield
 VHS Transportation Company, S. Easton
 VT Car & Limousine, LLC, Everett
 V T L Transportation, Everett
 Valley Opportunity Council, Holyoke

Victoria's Transportation, Stoughton
Veteran's Taxi of Newton, LLC, Waltham
Vitaliy International Trans., Framingham
Vital Transportation LLC, Everett
Janet Wainwright, Sudbury
We Care Trans., Newton
Wendo Transport Services, Dracut
West Medical Transportation, Inc., Stoughton
Julia Williams, Ipswich
Women In Transit Inc., Somerville

Wood's Ambulance Inc., Gardner
Worcester Medical Transportation, Worcester
Worcester Transportation Corp., W. Springfield
WOW Transportation, Inc., Quincy
Yellow Cab Co., 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, 2011

	Revenue		Transportation		Net Interest		Net Income
	Operations	Other	Service	Administrative	(Income) Expense	(Loss)	
Fitchburg:							
Circle Line	\$ 36,876	\$ 37,938	\$ 505,728	\$ 132,609	\$ 4,569	\$ (568,092)	
Main Line	32,013	32,935	374,430	98,181	3,383	(411,046)	
Fitchburg Intown	170,052	174,948	1,130,416	296,411	10,212	(1,092,039)	
Intercity Service	4,960	5,103	41,736	10,944	377	(42,994)	
ADA/Dial-A-Ride	84,021	86,440	451,185	118,307	4,076	(403,107)	
Fitchburg Total	327,922	337,364	2,503,495	656,452	22,617	(2,517,278)	
Leominster							
Circle Line	119,115	120,442	1,011,665	259,288	8,939	(1,040,335)	
Main Line	103,406	104,558	878,245	225,093	7,760	(903,134)	
Leominster Intown	15,459	15,631	131,296	33,651	1,160	(135,017)	
Intercity Service	2,671	2,701	22,685	5,814	200	(23,327)	
ADA/Dial-A-Ride	82,742	83,664	448,883	115,048	3,966	(401,491)	
Leominster Total	323,393	326,996	2,492,774	638,894	22,025	(2,503,304)	
Lunenburg							
Fixed Route	9,616	11,318	81,272	29,844	998	(91,180)	
ADA/Dial-A-Ride	3,412	4,016	18,416	6,762	226	(17,976)	
Lunenburg Total	13,028	15,334	99,688	36,606	1,224	(109,156)	
Lancaster							
Fixed Route	2,404	6,967	18,864	18,590	670	(28,753)	
ADA/Dial-A-Ride	427	1,238	2,302	3,302	82	(4,021)	
Lancaster Total	2,831	8,205	21,166	21,892	752	(32,774)	
Gardner							
Circle Routes 1&2	36,001	51,691	650,725	159,807	5,459	(728,299)	
MWCC	12,638	18,146	81,174	19,935	681	(71,006)	
Link Service	20,452	29,365	284,782	69,937	2,389	(307,291)	
ADA/Dial-A-Ride	52,207	74,960	284,007	69,747	2,382	(228,969)	
Gardner Total	121,298	174,162	1,300,688	319,426	10,911	(1,335,565)	
Councils on Aging	62,228	97,340	1,942,183	(11,962)	8,960	(1,779,613)	
Dial-A-MART	458,756	0	480,516	251,946	0	(273,706)	
TOTAL	\$ 1,309,456	\$ 959,401	\$ 8,840,510	\$ 1,913,254	\$ 66,489	(8,551,396)	

See accompanying notes to financial statements and independent auditor's report.

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, 2011

	REVENUE FROM OPERATIONS	TRANSPORTATION SERVICE	ADMINISTRATION	NET INTEREST (INCOME)/EXPENSE	NET INCOME/(LOSS)
SPECIAL EDUCATION					
Special Ed - Ashburnham/Westminster	\$ 704,784	\$ 664,887	\$ 37,189	\$ 2,708	\$ -
Special Ed - Ayer	755	712	40	3	-
Special Ed - Fitchburg	117,413	110,767	6,195	451	-
Special Ed - Gardner	224,753	212,030	11,860	863	-
Special Ed - Leominster	996,028	939,493	52,709	3,826	-
Special Ed - Lumberburg	78,104	73,683	4,121	300	-
Special Ed - Nashoba	795	750	42	3	-
Special Ed - N. Middlesex	0	0	0	0	-
Special Ed - Shirley	171,858	162,130	9,068	660	-
Special Ed - Other	88,571	83,730	4,500	341	-
TOTAL SPECIAL EDUCATION	2,383,061	2,248,182	125,724	9,155	-

COMMONWEALTH OF MASSACHUSETTS

Department of Public Health	2,218,868	2,218,948	136,886	9,037	(146,003)
Division of Medical Assistance	15,382,463	14,609,051	901,223	59,490	(187,301)
Dial-A-MART	3,331,111	2,637,985	162,736	10,742	519,648
Department of Developmental Services Dayhab	42,223,228	42,218,278	2,604,420	171,920	(2,771,390)
Department of Developmental Services	10,537,522	10,540,173	650,217	42,921	(695,789)
Ma Rehab Commission	66,308	66,320	4,091	270	(4,373)
Administration	3,940,243	73,528	4,536	299	3,861,880
TOTAL COMMONWEALTH OF MASSACHUSETTS	77,699,743	72,364,283	4,464,109	294,679	576,672
TOTAL BROKERAGE PROGRAMS	\$ 80,082,804	\$ 74,612,465	\$ 4,589,833	\$ 303,834	\$ 576,672

See accompanying notes to financial statements and independent auditor's report.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Allocation of Net Cost of Service
For the Year Ended June 30, 2011

	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	\$ 2,257,481	\$ 327,280	\$ 2,584,761	\$ 705,164	\$ (898,466)	\$ (199,697)	\$ 2,191,762	\$ (196,586)	\$ (1,414,631)	\$ (580,545)	\$ -
Leominster	\$ 2,256,222	264,521	2,520,743	611,803	(854,209)	(196,110)	2,082,227	(186,761)	(1,343,934)	(551,532)	-
Gardner	\$ 945,172	109,706	1,054,878	329,931	(371,716)	(117,206)	895,887	(80,355)	(578,233)	(237,299)	-
Ayer		117,294	117,294	25,434	(40,002)	(3,719)	99,007	(8,880)	(63,902)	(26,225)	-
Lancaster	\$ 18,335	75,904	94,239	22,641	(32,765)	(3,185)	80,930	(7,259)	(52,235)	(21,436)	-
Sterling		62,761	62,761	13,300	(21,381)	(1,760)	52,920	(4,747)	(34,156)	(14,017)	-
Ashburnham		92,495	92,495	19,813	(14,049)	(2,751)	95,508	(8,566)	(67,266)	(19,676)	-
Hubbardston		49,452	49,452	10,622	(7,513)	(1,491)	51,070	(4,581)	(35,967)	(10,522)	-
Shirley		65,505	65,505	14,272	(22,345)	(2,129)	55,303	(4,960)	(35,694)	(14,649)	-
Littleton		109,216	109,216	24,492	(37,306)	(4,068)	92,334	(8,282)	(59,595)	(24,457)	-
Templeton	\$ 47,580	132,052	179,632	43,668	(62,536)	(6,150)	154,614	(13,868)	(99,793)	(40,953)	-
Westminster		135,686	135,686	29,007	(46,245)	(3,991)	114,457	(10,266)	(73,874)	(30,317)	-
Hardwick		53,742	53,742	11,876	(8,175)	(1,872)	55,571	(4,984)	(39,139)	(11,448)	-
Lunenburg	\$ 86,660	57,306	143,966	37,815	(50,508)	(7,595)	123,678	(11,093)	(79,826)	(32,759)	-
Winchendon	\$ 39,649	50,186	89,835	19,793	(13,663)	(4,081)	91,884	(8,241)	(64,714)	(18,929)	-
Harvard		41,423	41,423	9,050	(6,297)	(1,363)	42,813	(3,840)	(30,153)	(8,820)	-
Bolton		9,517	9,517	2,103	(498)	(331)	10,791	(968)	(7,600)	(2,223)	-
Boxborough		53,667	53,667	11,593	(2,804)	(1,668)	60,788	(5,452)	(42,813)	(12,523)	-
Ashby		36,050	36,050	7,722	(5,476)	(1,072)	37,224	(3,339)	(26,216)	(7,669)	-
Stow		36,192	36,192	7,861	(1,875)	(1,535)	40,643	(3,645)	-	(36,998)	-

Totals	\$ 5,651,099	\$ 1,879,955	\$ 7,531,054	\$ 1,957,960	\$ (2,497,829)	\$ (561,774)	\$ 6,429,411	\$ (576,673)	\$ (4,149,741)	\$ (1,702,997)	\$ -
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See accompanying notes to financial statements and independent auditor's report.

Montachusett Regional Transit Authority
(A Component Unit of the Commonwealth of Massachusetts)
Schedule of General and Administrative Expenses
For the Year Ended June 30, 2011

ADMINISTRATIVE	BROKERAGE PROGRAMS	REGIONAL TRANSIT AUTHORITY	TOTAL
Insurance - General Liability Ex/Umbrella	\$ 93,113	\$ 93,112	\$ 186,225
Insurance - Property	46,121	46,121	92,242
Insurance - Other Vehicles	112,712	209,322	322,034
Insurance - Bus	-	107,345	107,345
Advertising - Marketing/Legal/Consultant	13,441	2,910	16,351
In Kind - Grant	-	3,055	3,055
Printing	4,965	1,089	6,054
Consultant - Technical/MRPC	66,366	154,854	221,220
Payroll-Administrative	2,406,378	528,229	2,934,607
Legal Counsel	20,211	4,437	24,648
Auditor	23,452	5,148	28,600
Office Supplies	36,220	7,951	44,171
Equipment/Maintenance & Equip Lease	39,004	8,562	47,566
Travel & Meetings/Conference/Training	10,043	2,204	12,247
Self Funded Rent Exp	205,000	-	205,000
Consultants - Computer Service Contracts	338,708	166,826	505,534
Consultants - Grants	-	7,814	7,814
Consultants - Operational / CATA	117,336	-	117,336
Staff Unemploy / Taxes / Insurance	505,461	110,955	616,416
Miscellaneous Exp	17,114	3,757	20,871
Local Capital	-	-	-
Telephone	258,987	56,851	315,838
Reserve Fund	341	-	341
Utilities & Maintenance Water St. Facility	23,142	208,275	231,417
Utilities & Maintenance ITC Facility	237,005	52,025	289,030
Utilities & Maintenance Gardner Facility	5,849	52,642	58,491
Utilities & Maintenance N. Main Facility	8,863	79,770	88,633
Total Administrative	4,589,832	1,913,254	6,503,086
GENERAL			
Debt Service / Bank fees	18,895	4,148	23,043
Interest Expense	291,737	64,040	355,777
Ticket Agency Expense	-	231,636	231,636
Commuter Rail Interface	-	160,752	160,752
Total General	310,632	460,576	771,208
Total Administrative and General	\$ 4,900,464	\$ 2,373,830	\$ 7,274,294

See accompanying notes to financial statements and independent auditor's report.

DAVID J. SINGLETON
CERTIFIED PUBLIC ACCOUNTANT
66 West Street - Leominster, Massachusetts 01453
Office (978) 840-6920 Fax (978) 840-6970

**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**

The Board of Directors
Montachusett Regional Transit Authority

I 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, 2011, which collectively comprise Montachusett Regional Transit Authority's basic financial statements and have issued my report thereon dated January 12, 2012. I conducted my 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 my audit, I considered Montachusett Regional Transit Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of Montachusett Regional Transit Authority's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I 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. I consider the deficiencies 2010-01 and 2010-02 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain other matters that I reported to management of Montachusett Regional Transit Authority in a separate letter dated January 12, 2012.

This report is intended solely for the information and use of management, The Board of Directors 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.



David J. Singleton
Certified Public Accountant
January 12, 2012

DAVID J. SINGLETON
CERTIFIED PUBLIC ACCOUNTANT
66 West Street - Leominster, Massachusetts 01453
Office (978) 840-6920 Fax (978) 840-6970

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Advisory Board of
Montachusett Regional Transit Authority

Compliance

I have audited the Montachusett Regional Transit Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Montachusett Regional Transit Authority's major federal programs for the year ended June 30, 2011. Montachusett Regional Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Montachusett Regional Transit Authority's management. My responsibility is to express an opinion on Montachusett Regional Transit Authority's compliance based on my audit.

I conducted my 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 of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Montachusett Regional Transit Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Montachusett Regional Transit Authority's compliance with those requirements.

As described in item 2011-2 in the accompanying schedule of findings and questioned costs, Montachusett Regional Transit Authority did not comply with requirements regarding procurement and suspension and debarment that are applicable to its U.S. Department of Transportation grants. Compliance with such requirements is necessary, in my opinion, for Montachusett Regional Transit Authority to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Montachusett Regional Transit Authority complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Montachusett Regional Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Montachusett Regional Transit Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Montachusett Regional Transit Authority's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a material weakness.

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.

Montachusett Regional Transit Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Montachusett Regional Transit Authority's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of management, the board of directors, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



David J. Singleton
Certified Public Accountant
January 12, 2012

Montachusett Regional Transit Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Federal Grant Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation (FTA)			
Direct Recipient Grants			
Operating Assistance - Section 5307 Urban Area Formula	20.507	MA-90-X602	\$1,750,001
Operating Assistance - Section 5307 Urban Area Formula	20.507	MA-90-X611	\$313,999
Operating Assistance - Section 5307 Urban Area ARRA	20.507	MA-96-X003	\$161,383
Capital - Section 5307 Urban Area Formula			
Purchase vans, miscellaneous support/shop equipment	20.507	MA-90-X564	\$37,030
Capital - Section 5307 Urban Area Formula			
Fare collection system, No. Leominster parking garage, land purchase, facility rehabilitation, miscellaneous maintenance items	20.507	MA-90-X602	152,622
Capital - Section 5307 Urban Area ARRA			
New construction vehicle Leominster storage facility , hybrid buses & partial funding of bus wash system	20.500	MA-96-X003	\$2,096,527
Capital - Section 5307 ARRA Flex			
Balance of bus wash system, AVL equipment & new roof on existing Leominster storage facility building	20.500	MA-66-X003	\$186,269
Capital - Section 5309 Discretionary			
Rehabilitation of vehicle storage facility including A&E design, construction phase services & and contingency	20.500	MA-04-0004	\$201,210
Capital - Section 5309 Discretionary			
A&E North Leominster parking garage - includes design, bid services, construction phase services & clerk of works	20.500	MA-04-0010	\$24,227
Capital - Section 5309 Discretionary Tigger II Discretionary			
Transit energy management model for renewable resources	20.500	MA-88-0001	16,562
Capital - Section 5309 State of Good Repair Discretionary			
Transit vehicle replacement	20.500	MA-04-0060	520,000

Montachusett Regional Transit Authority
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Federal Grant Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Capital - Section 5309 State of Good Repair Discretionary Facility rehabilitation	20.500	MA-04-0061	48,000
Research - Section 5314 UWR/MSAA integrated traveller services system- 2 phases	20.514	MA-26-7114	<u>\$22,195</u>
Total Direct Recipient Expenditures			<u>\$5,530,024</u>
Sub-Recipient Grants (Pass-Through Commonwealth of Massachusetts)			
Operating Assistance - Section 5311 Rural Area	20.509	MA-18-X050	\$36,202
Operating Assistance - Section 5316 JARC	20.516	MA-37-X038	\$57,998
Capital - Other ARRA Tiger Multimodal Discretionary MBTA commuter rail service to Wachusett	20.500	MA-78-0002	\$155,841
Capital - Section 5310 Mobility Assistance Program Purchase vans, mini-buses, computers, van radios & base stations	20.513	MAP-5310	<u>\$522,450</u>
Total Sub-Recipient Federal Expenditures			<u>\$772,491</u>
Total Federal Expenditures			\$6,302,515

Montachusett Regional Transit Authority
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of the Montachusett Regional Transit Authority.

Federal program expenditures included in the accompanying schedules are presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

Construction Leominster Storage Facility	20.500
Rehabilitation of Vehicle Storage Facility	20.500
Capital Purchases – Section 5309 Transit Vehicle Replacement	20.500
Capital Other – Tiger Multimodal Discretionary	20.500
Operating Assistance – Section 5307 Urban Area	20.507
Capital Purchases – Section 5310 Mobility Assistance Program	20.513

Montachusett Regional Transit Authority
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)(3) or (4):	Yes

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.500	Construction Leominster Storage Facility
20.500	Rehabilitation of Vehicle Storage Facility
20.500	Capital Purchases – Section 5309 Transit Vehicle Replacement
20.500	Capital Other – Tiger Multimodal Discretionary
20.507	Operating Assistance – Section 5307 Urban Area
20.513	Capital Purchases – Section 5310 Mobility Assistance Program

Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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Montachusett Regional Transit Authority
Section 11 – Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2011

2011-01: Untimely Year End Close

Condition:

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

Context:

Effective internal control over financial reporting requires that the pertinent information is identified, captured and reported by the Authority, and distributed in a form and a timeframe that supports the achievement of financial reporting objectives.

Effect:

The tardiness of the Authority's year end close resulted in the Authority not meeting the Commonwealth imposed deadline for completion of audited financial statements.

Cause:

The Authority had several issues concerning several new modules within its accounting software which caused the sub-ledgers to not reconcile to the general ledger. Reconciling these differences took additional time which created the delay.

Criteria:

The timeliness of the year end close is an integral part of meeting Commonwealth imposed deadlines and in providing auditors with a chance to meet the deadlines.

Recommendation:

The Authority could provide additional staff and training as well as consider adopting certain efficiencies to its current employees in an attempt to get them additional time and skills to devote to this task.

Response:

The Authority will consult with the auditor to investigate needed staffing, efficiencies and training for staff during FY12.

Montachusett Regional Transit Authority
Section 11 – Schedule of Findings and Questioned Costs (Con't)
For The Year Ended June 30, 2011

2011-2: Noncompliance with the Procurement and Suspension and Debarment Provision of Federal Awards

Condition:

During the audit, it was noted that the Authority did not verify if vendors with which it contracted services for \$25,000 or greater were suspended or debarred through the Excluded Parties List System (EPLS) that is maintained by the General Services Administration.

Effect:

The Authority could have conducted business with a suspended or debarred vendor.

Cause:

The Authority was not aware that it had to meet this compliance requirement, and therefore, had no internal control procedure in place.

Recommendation:

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

Management Response:

In an ARRA Review site visit conducted by Federal Transit Administration (FTA) on June 28-29, 2011, it was found that the written procurement histories for all ARRA procurements reviewed did not include evidence of searches of the Excluded Parties Listing System (EPLS) to ensure that the vendors were not suspended or debarred from participating in federally assisted transactions or procurements. The corrective action was for the Authority to revise procedures to ensure that a search of the EPLS is conducted to determine if a contractor is on the federal debarred or suspended list prior to entering into third-party contracts that are in excess of \$25,000; and that the procedure should ensure that evidence of performing this search is included in the written history of applicable procurements. The Authority has implemented these corrective measures which include a revision to the Procurement Policy and Procedures Manual updated July 2011 outlining the process to be followed. On August 4, 2011, FTA indicated that the Authority completed the corrective actions required to resolve the deficiency.