

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

Financial Statements and Report on
Federal Assistance Programs
in Accordance with OMB Circular A-133 with
Independent Auditors' Reports

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Montachusett Regional Transit Authority (the "Authority," a component unit of Massachusetts Department of Transportation), which comprise the statement of net position at June 30, 2015, and the statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2015, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented on page 33 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 not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of net cost of service on page 14 and the supplementary information presented on pages 29 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



October 1, 2015

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015

The following is the Management Discussion and Analysis (“MD&A”) of the financial statements of the Montachusett Regional Transit Authority (“the Authority”), located at 1427R Water Street, Fitchburg, Massachusetts as presented. This MD&A is prepared by the Administrator, Mohammed H. Khan. The management discussion and analysis of the Authority’s financial performance provides an overall review of the Authority’s financial activities for the year ended June 30, 2015. 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 capital assets decreased by \$848,206 during FY2015. This decrease is mainly due to the addition of vehicles to the fleet and computer systems development, as well as some construction and building improvements, net of depreciation for the year of \$4,020,282.
- The Authority was able to obtain a favorable interest rate for borrowing on its Revenue Anticipation Note of .687% in August 2015, compared to .42% for the prior year note.
- The amount of Authority’s Federal 5307 funds used for operations was \$2,344,000 in FY2015. These funds were allocated directly from the Formula funds and used toward urban area operations.
- Through a contract with the Commonwealth of Massachusetts’ Executive Office of Health and Human Services (EOHHS), as well as agreements with local Special Education departments, the Authority increased its brokerage services revenue from \$96,294,583 in FY2014 to \$109,830,493 in FY2015, a 14% increase.
- The Authority was able to maintain its basic services at prior year levels.

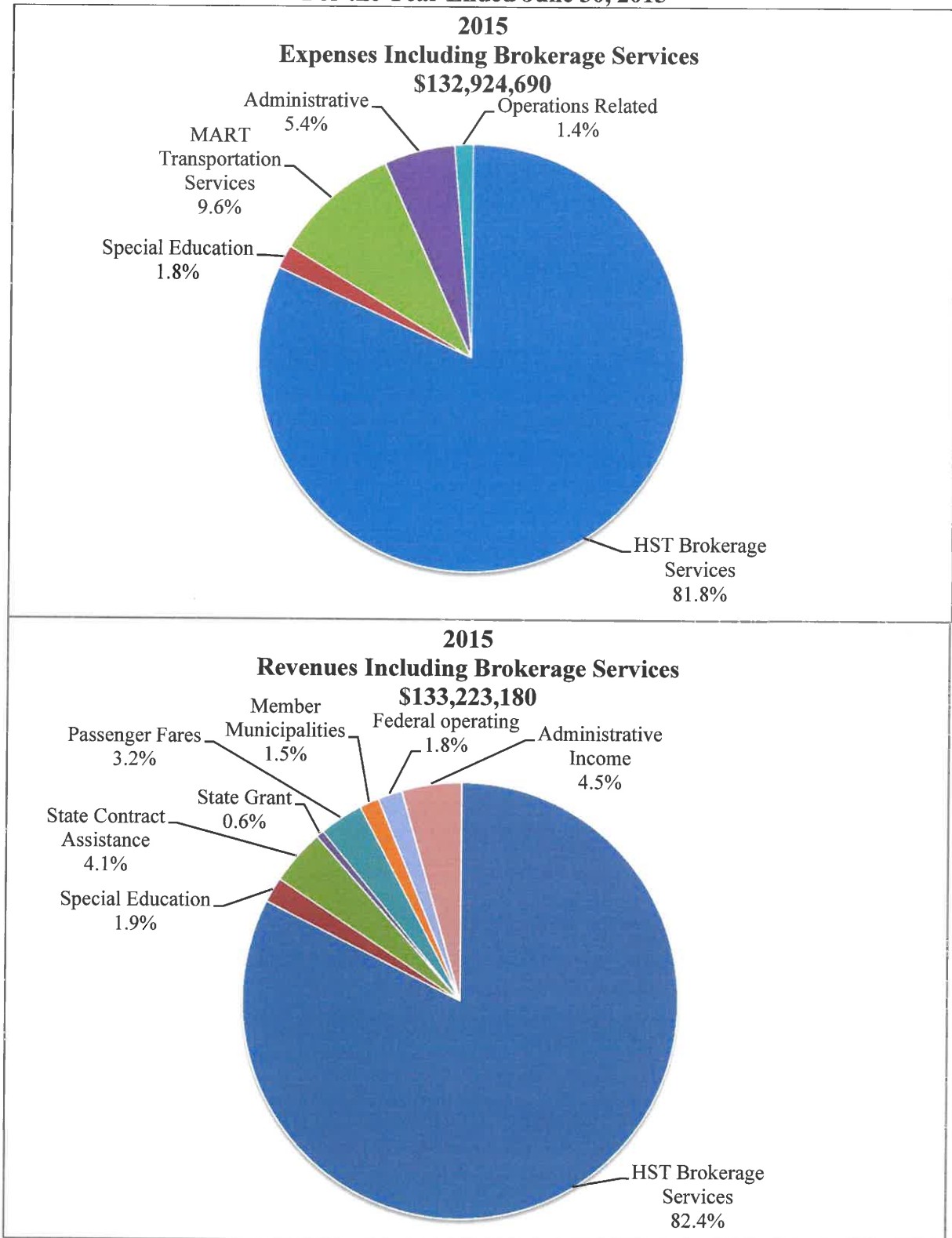
Overview of Financial Statements:

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 22 communities listed in Note A of the financial statements.

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

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

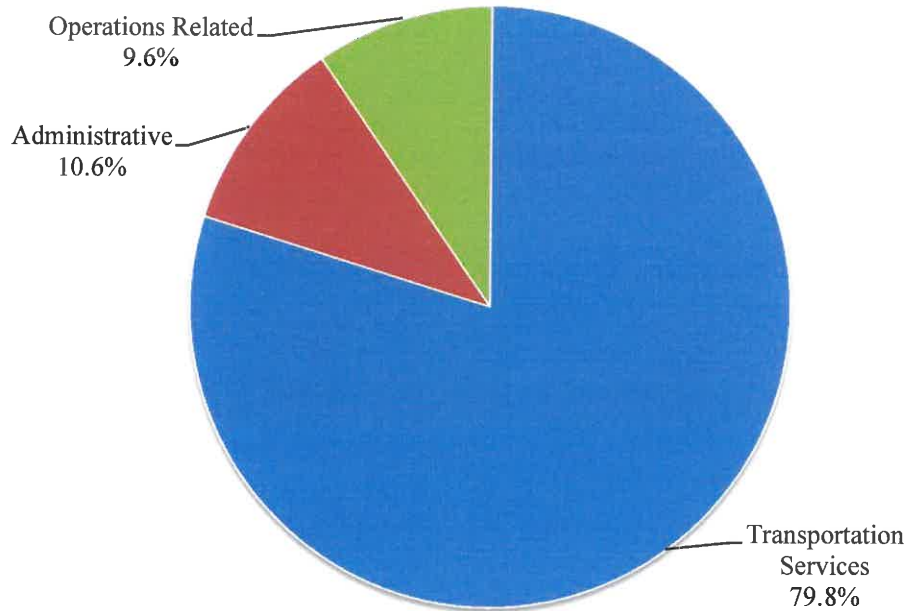
Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015



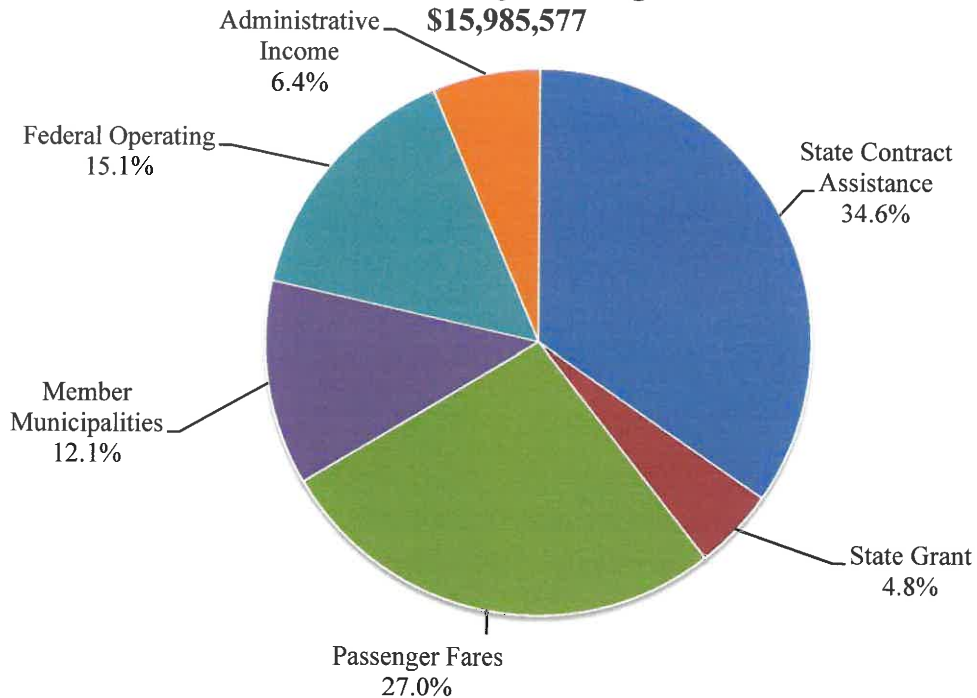
These charts reflect the net cost of service as presented on page 14.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015

2015
Expenses Excluding Brokerage Services
\$15,955,442



2015
Revenues Excluding Brokerage Services
\$15,985,577



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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015

Government Financial Analysis

The table below provides a summary of the Authority's net position for 2015 and 2014.

	<u>2015 Business- type Activities</u>	<u>2014 Business- type Activities</u>
<u>Assets</u>		
Current and other assets	\$30,748,361	\$29,422,088
Capital assets	<u>51,168,059</u>	<u>52,016,266</u>
Total assets	<u>81,916,420</u>	<u>81,438,354</u>
<u>Liabilities</u>		
Long-term liabilities	530,002	583,335
Other liabilities	<u>40,256,419</u>	<u>38,924,300</u>
Total liabilities	<u>40,786,421</u>	<u>39,507,635</u>
<u>Net Position</u>		
Invested in capital assets, Net of related debt	50,584,724	51,379,598
Unrestricted deficit	<u>(9,454,725)</u>	<u>(9,448,879)</u>
Total net position	<u>\$41,129,999</u>	<u>\$41,930,719</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the Authority's assets exceeded liabilities by \$41,129,999.

Capital assets reported on the government-wide statements represent the largest portion of the Authority's net assets. As of June 30, 2015, capital assets represented 62% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2015, were \$50,584,724. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Years Ended June 30, 2015 and 2014

Change in Net Position:

The table below shows the change in net position for fiscal years 2015 and 2014. Certain FY2014 amounts were reclassified to conform to the FY2015 presentation.

	2015	2014	Change
Operating Revenues			
Transportation Revenue-HST Brokerage	\$ 109,830,493	\$ 96,294,583	\$ 13,535,910
Transportation Revenue-Special Education	2,498,750	2,486,677	12,073
Transportation Revenue-Urban/Rural Service	4,320,036	3,917,615	402,421
Total Operating Revenues	<u>116,649,279</u>	<u>102,698,875</u>	<u>13,950,404</u>
Non-Operating Revenues			
Federal Operating	2,362,908	2,398,149	(35,241)
Commonwealth of Massachusetts operating	6,295,671	5,565,460	730,211
Member Municipalities	1,933,792	1,884,707	49,085
Interest Income	6,212	9,328	(3,116)
HST Management Fee	4,908,360	3,900,791	1,007,569
Other Income, net	1,066,958	1,021,367	45,591
Total Non-Operating Revenues	<u>16,573,901</u>	<u>14,779,802</u>	<u>1,794,099</u>
Total Revenues	<u>133,223,180</u>	<u>117,478,677</u>	<u>15,744,503</u>
Operating expenses			
Transportation Expense-HST Brokerage	108,848,961	96,370,056	12,478,905
Transportation Expense-Special Education	2,357,267	2,349,045	8,222
Transportation Expense-Urban/Rural Service	12,730,814	11,732,330	998,484
Administrative	8,811,711	8,267,974	543,737
Depreciation and Amortization	4,020,282	3,989,532	30,750
Total Operating Expenses	<u>136,769,035</u>	<u>122,708,937</u>	<u>14,060,098</u>
Non-Operating Expenses			
Interest Expense	<u>122,603</u>	<u>167,591</u>	<u>(44,988)</u>
	<u>122,603</u>	<u>167,591</u>	<u>(44,988)</u>
Total Expenses	<u>136,891,638</u>	<u>122,876,528</u>	<u>14,015,110</u>
Loss Before Capital Grants	(3,668,458)	(5,397,851)	1,729,393
Capital Grants	<u>2,867,738</u>	<u>4,848,090</u>	<u>(1,980,352)</u>
Change in Net Position	(800,720)	(549,761)	(250,959)
Net Position - Beginning of Year	41,930,719	42,480,480	(549,761)
Net Position - End of Year	<u>\$ 41,129,999</u>	<u>\$ 41,930,719</u>	<u>\$ (800,720)</u>

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015

Capital Assets:

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Additions	Disposals / Adjustments	Ending Balances
Land and Land Improvements	\$ 4,778,985	\$ 1,055	\$ -	\$ 4,780,040
Depreciable Properties:				
Building/Improvements Fitchburg Parking	11,888,430	17,705	-	11,906,135
Building/Improvements Fitchburg Intermodal	3,775,737	114,472	-	3,890,209
Building/Improvements Leominster Parking Lot	3,501,277	485,658	8,302,099	12,289,034
Building/Improvements Leominster Storage	6,541,793	32,682	-	6,574,475
Building/Improvements Fitchburg Maintenance	9,613,266	29,877	-	9,643,143
Building/Improvements Gardner Maintenance	7,369,989	48,804	4,492	7,423,285
Building/Improvements Athol Maintenance	-	17,542	-	17,542
Other Fixed Assets	3,003,452	32,703	(1,074,161)	1,961,994
Systems Development	333,846	924,748	1,189,254	2,447,848
Transportation Equipment	19,198,206	773,717	-	19,971,923
	<u>65,225,996</u>	<u>2,477,908</u>	<u>8,421,684</u>	<u>76,125,588</u>
Less Accumulated Depreciation For:				
Building/Improvements Fitchburg Parking	(3,194,874)	(396,509)	-	(3,591,383)
Building/Improvements Fitchburg Intermodal	(2,265,472)	(122,619)	-	(2,388,091)
Building/Improvements Leominster Parking Lot	(2,058,484)	(458,017)	-	(2,516,501)
Building/Improvements Leominster Storage	(1,179,334)	(246,544)	-	(1,425,878)
Building/Improvements Fitchburg Maintenance	(6,305,846)	(342,301)	-	(6,648,147)
Building/Improvements Gardner Maintenance	(1,364,506)	(254,753)	-	(1,619,259)
Building/Improvements Athol Maintenance	-	(585)	-	(585)
Other Fixed Assets	(1,764,212)	(234,501)	1,547,503	(451,210)
Systems Development	-	(152,768)	(1,547,503)	(1,700,271)
Transportation Equipment	(10,269,470)	(1,811,685)	-	(12,081,155)
	<u>(28,402,198)</u>	<u>(4,020,282)</u>	<u>-</u>	<u>(32,422,480)</u>
Net Depreciable Property:	36,823,798	(1,542,374)	8,421,684	43,703,108
Construction In Progress	10,291,398	693,112	(8,299,599)	2,684,911
Fixed Assets in Process	122,085	-	(122,085)	-
Net Capital Assets:	<u>\$ 52,016,266</u>	<u>\$ (848,207)</u>	<u>\$ -</u>	<u>\$ 51,168,059</u>

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015

In 2015 MART replaced all lighting at three of our facilities - 840 N. Main Street, Gardner Maintenance facility and the Athol Depot Transit facility – with energy efficient LED lighting appliances. This project was funded by MassDOT’s RTA Capital Assistance Program (RTACAP). This will help reduce electricity consumption and the corresponding expenditures at these facilities.

MART installed a second Solar PV system at the Gardner Maintenance facility. MART also replaced/reengineered the HVAC system at the Intermodal Center at Main Street in Fitchburg. These projects were accomplished through funding awarded by FTA’s TIGGER II program. MART has a few additional energy conservation projects, including rehabilitating the HVAC at our Water St Maintenance/Administration facility, that will be completed in 2016 that should finally close out the TIGGER grant.

MART procured eight para-transit vans through with our Section 5307 appropriation funds and two mini-buses with a Section 5339 sub-recipient award from MassDOT. MART also procured two support vehicles that will help with snow removal to reduce MART’s significant operational budget for this activity.

Construction of the new, multi-level parking facility at the North Leominster Commuter Rail Station was finally completed in early FY15. The facility received its permanent certificate of occupancy in September 2014 with resolution of punch list items in the spring of 2015. As part of the opening of this facility, MART also replaced the parking pay-stations with a new “pay-by-plate” system that was installed in both the Leominster and Fitchburg parking garages. More of these parking pay-stations will be deployed in West Fitchburg once the Wachusett Commuter Rail Station opens in late 2016.

The Authority launched a new software application in December 2014 which was funded by the FTA’s Veterans Transportation and Community Living Initiative (VTCLI), which is designed to provide veterans, and active military families, with increased access to transportation resources and greater mobility. MART also used RTACAP funds to build a new and vastly improved MART website.

MART also used a combination of 5307 funds and FY14 RTACAP funds to complete a yearlong Comprehensive Service Analysis and Regional Transit Plan. This plan evaluated MART’s fixed route services and laid out recommendations for improvements to MART’s routes. Phase 1 of the 3 Phases of recommendations will be implemented in October 2015.

Financial Analysis:

- Transportation Services-The Brokerage program continues to expand while funding itself.
- The State Assistance funding increased by \$845,896. The Authority also received a state subsidy of \$770,000 to provide services to Athol in FY15, compared to \$885,686 in FY14. Local assessment has increased by \$49,085 in accordance with Proposition 2 ½, and an additional \$1,974 for adding Athol Council On Aging services.
- Usage of Federal Operating Assistance slight increase from FY2014 to FY2015 to include funds from the Boston and Worcester UZA’s.

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.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis
For the Year Ended June 30, 2015

Funding of the Authority:

- Expenses for all services less the brokerage program were \$15.9 million, and were funded by the following:

	% of Expense	% of Funding
Authority generated revenue	33.4%	33.4%
Federal operating funds	15.1%	15.1%
Local contribution	12.1%	12.1%
Commonwealth assistance	34.6%	34.6%
State grant	4.8%	4.8%

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Net Position
June 30, 2015

Assets

Current Assets	
Cash and Cash Equivalents	\$ 5,342,126
Receivables for Operating Assistance	
U.S. Department of Transportation	2,344,000
Commonwealth of Massachusetts and Cities and Towns	
Constituting the Authority	2,708,607
Receivables for Capital Grants	
U.S. Department of Transportation	84,941
Commonwealth of Massachusetts	323,453
Accounts Receivable	18,538,736
Other Current Assets	1,406,498
Total Current Assets	<u>30,748,361</u>
Capital Assets	
Non Depreciable Capital Assets	7,464,951
Depreciable Capital Assets, Net of Accumulated Depreciation	43,703,108
Net Capital Assets	<u>51,168,059</u>
Total Assets	<u>\$ 81,916,420</u>

Liabilities and Net Position

Current Liabilities	
Accounts Payable	\$ 19,569,856
Accrued Expenses	400,061
Deferred Revenue	51,627
Revenue Anticipation Notes Payable	19,000,000
Note Payable - Line of Credit	1,000,000
Current Portion of Long Term Debt	53,333
Accrued Interest	181,542
Total Current Liabilities	<u>40,256,419</u>
Long Term Liabilities	
Long Term Debt net of current portion	<u>530,002</u>
Total Liabilities	<u>40,786,421</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	50,584,724
Unrestricted Deficit	(9,454,725)
Total Net Position	<u>41,129,999</u>
Total Liabilities and Net Position	<u>\$ 81,916,420</u>

See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Operating Revenues	
Transportation Revenue - HST Brokerage	\$ 109,830,493
Transportation Revenue-Special Education	2,498,750
Transportation Revenue-Urban/Rural Service	<u>4,320,036</u>
Total Operating Revenues	<u>116,649,279</u>
Operating Expenses	
Transportation Expense - HST Brokerage	108,848,961
Transportation Expense-Special Education	2,357,267
Transportation Expense-Urban/Rural Service	12,730,814
Administrative (Including Brokerage Administrative)	8,811,711
Depreciation and Amortization	<u>4,020,282</u>
Total Operating Expenses	<u>136,769,035</u>
Operating Loss	(20,119,756)
Non-Operating Revenues (Expenses)	
Federal	2,362,908
Commonwealth of Massachusetts	6,295,671
Member Municipalities	1,933,792
Interest Expense	(122,603)
Interest Income	6,212
HST Management Fee	4,908,360
Other Income, Net	<u>1,066,958</u>
Total Non-Operating Revenues	<u>16,451,298</u>
Loss before Capital Grants	(3,668,458)
Capital Grants	<u>2,867,738</u>
Change in Net Position	(800,720)
Net Position - Beginning of the Year	<u>41,930,719</u>
Net Position - End of the Year	<u>\$ 41,129,999</u>

See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from passenger fares and contract reimbursements	\$ 113,849,180
Cash paid to vendors	(119,315,567)
Cash paid to employees for services	(3,488,310)
Cash paid for other administrative costs	<u>(5,392,440)</u>

NET CASH USED FOR OPERATING ACTIVITIES	<u>(14,347,137)</u>
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CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Proceeds from Revenue Anticipation Notes	19,000,000
Principal Payments on Revenue Anticipation Notes	(23,300,000)
Interest Payments on Revenue Anticipation Notes	(139,938)
Interest Income	6,212
Proceeds from Operating Grants	10,256,226
Proceeds from HST Management fee	4,908,360
Proceeds from line of credit	1,000,000
Other Income	<u>1,019,599</u>

NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES	<u>12,750,459</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments on Notes Payable	(53,333)
Interest Payments on Notes Payable	(19,080)
Proceeds from Capital Grants	2,751,731
Purchase of Capital Assets	<u>(3,195,213)</u>

NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(515,895)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,112,573)
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BEGINNING CASH AND CASH EQUIVALENTS	<u>7,454,699</u>
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ENDING CASH AND CASH EQUIVALENTS	<u>\$ 5,342,126</u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:

Operating Loss	\$ (20,119,756)
Depreciation and amortization	4,020,282
Changes in Assets and Liabilities:	
Increase in Receivables	(2,800,099)
Increase in Other Assets	(153,334)
Increase in Payables	4,773,366
Decrease in Accrued Expenses	<u>(67,596)</u>

Net Cash Used for Operating Activities	<u>\$ (14,347,137)</u>
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See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Net Cost of Service
For the Year Ended June 30, 2015

	Urbanized Area Service	Rural Area Service	Special Education	HST Brokerage Services	Total Area Service
Operating Costs					
RTA Administration Costs (excluding depreciation)	\$ 2,820,654	\$ 285,036	\$ 99,283	\$ 5,660,072	\$ 8,865,045
Purchased Services					
Fixed Route	5,436,239	243,894	-	-	5,680,133
Demand Reponse	5,855,310	1,195,371	-	-	7,050,681
Brokerage Services	-	-	2,357,267	108,848,961	111,206,228
Debt Service	105,574	13,364	-	3,665	122,603
Total Operating Costs	14,217,777	1,737,665	2,456,550	114,512,698	132,924,690
Federal Operating Assistance					
FTA Operating & Administrative	2,217,101	126,899	-	-	2,344,000
Other Federal	18,106	802	-	-	18,908
Total Federal Assistance	2,235,207	127,701	-	-	2,362,908
Revenues					
Operating	3,931,918	388,118	-	-	4,320,036
Brokerage Service Reimbursement	-	-	2,498,750	114,738,853	117,237,603
Other Revenues					
Advertising	32,019	1,824	-	-	33,843
Interest Income	5,537	675	-	-	6,212
Miscellaneous	989,290	43,825	-	-	1,033,115
Total Revenues	4,958,764	434,442	2,498,750	114,738,853	122,630,809
Net Cost of Service	7,023,806	1,175,522	(42,200)	(226,155)	7,930,973
Net Cost of Service Funding					
Local Assessments	1,830,091	103,701	-	-	1,933,792
State Contract Assistance	5,222,206	1,073,465	-	-	6,295,671
Unreimbursed surplus	\$ 28,491	\$ 1,644	\$ 42,200	\$ 226,155	\$ 298,490
State Contract Assistance	\$ 5,222,206	\$ 1,073,465	\$ -	\$ -	\$ 6,295,671
Less: Partial payment made by Mass DOT prior to June 30	5,222,206	822,208	-	-	5,525,671
Balance Requested from the State	\$ -	\$ 251,257	\$ -	\$ -	\$ 251,257

See independent auditors' report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note A – The Authority and Operators

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

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

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

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

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 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 \$92,700 for the year ended June 30, 2015. MTS was selected through a competitive process in 2013 for a five year period with an annual renewal option.

In Gardner this service is provided by Management of Transportation Services of Gardner, Inc. ("MTG"). The Authority paid a management fee of \$42,230 for the year ended June 30, 2015. MTG was selected through a competitive process in 2013 for a five year period with an annual renewal option.

The Authority also operates a paratransit transportation service for local social service agencies which is a non-fixed route service. This service is provided by Dial-A-MART Services, Inc. ("DAMS"). The services provided by DAMS include local Dial-A-Ride transportation, veteran's shuttles to the VA facilities in eastern Massachusetts, monthly subscription services and other agency sponsored transportation services. The Authority paid a management fee of \$76,220 for the year ended June 30, 2015. Dial-A-MART Services, Inc. was selected through a competitive process in 2013 for a five year period with an annual renewal option.

In Athol this service is provided by Management of Transportation Services of Gardner, Athol Division. The Authority paid a management fee of \$34,000 for the year ended June 30, 2015. The Athol Division was an expansion of services through MTG.

The four transportation companies share a common ownership.

The operations of the Authority's paratransit service targeted for elderly and handicapped individuals is provided by the local Council on Aging ("COA") in accordance with an understanding whereby the COAs operate specialized non-fixed route service for elderly/disabled persons. In the communities of Fitchburg, Leominster, Gardner and Ashby, this service is operated by Dial-A-MART Services, Inc. The Authority also reimburses member communities for reasonable and necessary expenses for the efficient operation of the COA paratransit service. The local COA's are departments of the municipalities having membership in the Authority and expenses are billed by and reimbursed to the member municipalities.

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note A – The Authority and Operators (Continued)

The Authority's service area for the HST and ICO transportation programs includes the greater Pioneer Valley Area, the North and South Central areas, as well as the greater Metro Boston region. The Authority's service area for local municipal Special Education departments (SPED) includes Fitchburg, Leominster, Gardner, Ayer/Shirley, Ashburnham and Westminster. The service is provided by private operators utilizing their own vehicles. Operators are required to bid through a formal selection process whereby the Authority reimburses them through contracted negotiated rates. The Authority provides administrative functions including: scheduling, coordination, monitoring for quality and cost control, management and vehicle inspections, safety instruction and backup services in case of emergency or special requirements. General and administrative expenses are allocated to each program. During FY2015, MART negotiated an increase to the HST management fee with EOHHS. The Authority executed a six year administrative contract extension to provide brokerage services for the Human Service Transportation (HST) department effective July 1, 2014 and the renewed contract expires June 30, 2020.

There were 273 brokerage program operators for the fiscal year ended June 30, 2015. This list is provided in this report.

Note B- Summary of Significant Accounting Policies

Basis of Presentation

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

Effective July 1, 2014, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An amendment of GASB Statement No. 68*. The adoption of the pronouncements had no effect on the Authority's financial statements.

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note B- Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- *Restricted net position* result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through enabling legislation.
- *Unrestricted net position* consist of net assets, which do not meet the definition of the two preceding categories.

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

Operating vs. Non-operating Revenue and Expense

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

Capital Grants

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

Cash and Cash Equivalents

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

Use of Estimates

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note B- Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Restricted Assets

Restricted assets are restricted for the acquisition of capital assets under the terms defined in the various capital grants received by the Authority. In substantially all cases, the Authority draws down the grant funds after the vendor has been paid. Accordingly, there are no restricted assets at June 30, 2015.

Other Assets

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

Note C – Cash and Cash Equivalents

Investment Policy

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

The Authority carries deposits that are insured by FDIC insurance, as well as federally uninsured deposits. As of June 30, 2015, the Massachusetts Municipal Depository Trust (MMDT) bank balance of federally uninsured deposits totaled \$0. The MMDT deposits are subject to the full faith and credit of the Commonwealth of Massachusetts. These deposits are invested in government securities only.

Credit Risk

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

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note D – Grants

At June 30, 2015, under Sections 5307, 5308, 5309 and 88-GG (TIGGER) of the Federal Transit Administration (“FTA”), as amended, the U.S. Department of Transportation has current active capital grants to the Authority aggregating a remaining balance of approximately \$5.2 million. The federal government normally funds up to 80% of capital projects. However, the Authority has at times been awarded federal grant funding up to 100% for approved capital improvement projects. The remaining non-federal share may be financed through state capital grants, local capital funds, and the issuance of long-term debt and toll credits.

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation. The contract provides that the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for FY2015 was \$5,525,673. In FY2015 the Commonwealth also provided a state subsidy of \$770,000 for paratransit services for Athol. In addition, the various cities and towns constituting the Authority contributed assistance in the amount of \$1,933,792 for FY2015.

The receivable for operating assistance includes \$523,551 from Cities and Towns constituting the Authority for previous years which are generally paid through “Cherry Sheets.” Whether these amounts will eventually be funded is undeterminable. The Authority has not reserved any amount as uncollectible related to these receivables.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/2014	Additions	Transfers and Disposals	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ 4,778,985	\$ 1,055	\$ -	\$ 4,780,040
Construction in progress	10,291,398	693,112	(8,299,599)	2,684,911
Fixed Assets in process	122,085	-	(122,085)	-
Total capital assets not being depreciated:	15,192,468	694,167	(8,421,684)	7,464,951
Capital assets, being depreciated:				
Buildings	42,690,492	746,740	8,306,591	51,743,823
Vehicles, Fareboxes and other	19,198,206	773,717	-	19,971,923
System Development	333,846	924,748	1,189,254	2,447,848
Other Fixed Assets	3,003,452	32,703	(1,074,161)	1,961,994
Total capital assets, being depreciated	65,225,996	2,477,908	8,421,684	76,125,588
Total accumulated depreciation	28,402,198	4,020,282	-	32,422,480
Total capital assets, being depreciated, net	36,823,798	(1,542,374)	8,421,684	43,703,108
Net Capital Assets	\$ 52,016,266	\$ (848,207)	\$ -	\$ 51,168,059

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note F – Revenue Anticipation Notes

The Authority is subsidized by the Commonwealth for its annual "Net Cost of Service" as defined in the Enabling Legislation. Prior to FY2014, these subsidies were funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow requirements until funding is received.

The Revenue Anticipation Note (RAN) outstanding at June 30, 2015 consisted of one note totaling \$19,000,000. This note bore an interest rate of .42% NIC.

This note was due in August 2015. The \$19,000,000 RAN was repaid in August 2015 and a new RAN was issued for \$19,000,000. Interest expense related to the RAN amounted to \$189,472 in FY2015.

Note G - Long Term Debt

During the year ended June 30, 2015, the following changes occurred in long-term liabilities

	Interest Rate	Original Amount	Maturity Date	Balance 7/1/14	Reductions	Total Balance 6/30/15	Current Portion	Long-Term Portion
Note Payable - Fitchburg Redevelopment Authority	0%	\$1,050,000	June-26	<u>\$636,668</u>	<u>(\$53,333)</u>	<u>\$583,335</u>	<u>(\$53,333)</u>	<u>\$530,002</u>
Total				<u>\$636,668</u>	<u>(\$53,333)</u>	<u>\$583,335</u>	<u>(\$53,333)</u>	<u>\$530,002</u>

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

<u>Years ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$53,333	\$ -
2017	53,333	-
2018	53,333	-
2019	53,333	-
2020	53,333	-
2021-2025	266,665	-
2026	<u>50,005</u>	-
Total	<u>\$583,335</u>	<u>\$ -</u>

Note H - Notes Payable

The Authority has a demand commercial line of credit available up to a maximum borrowing of \$3 million, which was an increase effective June 29, 2015 from \$2 million to \$3 million. No amounts were outstanding as of June 30, 2014. The balance outstanding as of June 30, 2015 was \$1 million which was repaid in July 2015. The line carries an interest rate of prime (3.25% at June 30, 2015).

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note I - Contingencies

The Authority has received capital and operating financial assistance from federal and state agencies in the form of grants. Expenditure of the funds under these programs generally requires compliance with the terms and conditions, specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the Authority. There are no known disallowances at or for the year ended June 30, 2015.

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

The Authority has received notice of claim for a civil action in Worcester Superior Court from legal counsel for Care-A-Van Transport, Inc. – plaintiff. MART is named as co-defendant in this claim which results from the Medicaid fraud scheme perpetrated against MART by various companies owned by Alex Shrayber. The total potential claim is \$195,000, however, it is not possible to estimate MART's potential exposure on this claim since the total amount of the claim is against two parties. MART is currently represented by legal counsel appointed by its insurance carrier which provides business coverage for this type of claim.

Regarding the North Leominster Parking Garage project, there is one pending claim:

The Authority has received notice of claim of a civil action in Middlesex Superior Court from legal counsel for TLT Construction, Inc., as third party defendant in a civil suit filed by Canatal Steel USA – plaintiff against TLT Construction, Inc. and its bond holder – Western Surety Company. The total claim is approximately \$916,000 plus interest, costs and attorneys' fees, however, it is not possible to estimate MART's potential exposure on this claim since the amount claimed by Canatal Steel against TLT Construction, Inc. is for multiple projects TLT Construction was contracted to complete together, of which MART was one. MART is represented by legal counsel for this project.

The Authority believes the above claims are without merit and continues to vigorously contest them. The proceedings are still in the early stages and it is not possible at this point to predict any outcome.

With regards to a previous inquiry into state pension payments collected by the Authority's Administrator, Management and the Advisory Board received a legal opinion that the Authority has no obligation or liability in the matter, as any potential disputed amount of payments is between the Administrator and the State Retirement Board. Accordingly, no liability has been accrued and the Authority considers the matter closed.

Note J - 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 sponsors a 401(A) investment plan effective January 1, 2003. The Authority may contribute up to \$2,000 per year for its full-time employees after two years of full-time service. This contribution is not based on compensation and is discretionary. No contribution was made by the authority for FY2015.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note K – Related Party Transactions

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

Massachusetts Bay Transportation Authority (MBTA) – the Authority is considered a sub-recipient through MBTA of a federal grant for the extension of the Fitchburg Commuter Rail and construction of the Wachusett Station. In FY2015, the Authority incurred administrative costs of \$22,554 related to the federal grant. At June 30, 2015, the receivable from MBTA totaled \$10,375 and is included in Receivables from the Commonwealth of Massachusetts in the accompanying statement of net position. The Authority also serves as ticket agency for MBTA at the Fitchburg Intermodal Station. In FY2015, the Authority collected ticket revenues of \$285,434 and remitted \$288,227 to MBTA.

Cape Ann Transit Authority (CATA) – the Authority paid CATA \$75,000 in FY2015 for contractual services that CATA employees provided to the Authority for HST vendor inspection services. In addition the Authority contracts with CATA as a vendor as part of the brokerage line of business. In accordance with the HST contract with the Authority, CATA is the low bid for these services.

Montachusett Regional Planning Commission (MRPC) – the Authority paid MRPC \$158,541 in FY2015 for contractual services that MRPC employees provided to the Authority. MRPC also rents office space from the Authority for which it paid \$21,912 in FY2015.

Lowell Regional Transit Authority (LRTA) – the Authority contracts with LRTA as a vendor as part of the brokerage line of business. In accordance with the HST contract with the Authority, LRTA is the low bid for these services.

801 CMR 53.03(2) Disclosure (Unaudited)

The Administrator, date of hire of February 13, 2003, compensation for fiscal year 2015 was \$138,222. The Administrator did not receive health insurance.

The Deputy Administrator, date of hire of February 3, 1993, compensation for fiscal year 2015 was \$132,360. The Deputy Administrator receives a health insurance plan and contributes 33% of the cost of the premium.

The Chief Financial Officer, date of hire of March 16, 2015, Compensation for fiscal year 2015 was \$28,664. The Chief Financial Officer receives a health insurance plan and contributes 33% of the cost of the premium.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2015

Note L – Subsequent Events

In August 2015, the Authority paid its existing revenue anticipation note of \$19,000,000 and issued a new note for \$19,000,000.

Management has evaluated subsequent events through October 1, 2015 the date the financial statements were available to be issued.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
List of Brokerage Vendors totaling 273
For the Year Ended June 30, 2015

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

Exodus Transportation Inc., Springfield	Justice Service Inc., Billerica
Extra Care Transport, Worcester	JYL Transportation, Spencer
F.O.M. Transportation Inc., Woburn	K-TX Transit Inc., Holden
Faith Transportation, Westfield	Kenmore Transit, Swampscott
First Class Care Transit Solutions Inc., South Easton	Kenride Inc., Revere
Five Stars Transportation, Natick	Kiessling Transit Inc., Norfolk
Flow Transportation Services Inc., Leominster	King Courier Trans. Inc., Webster
Fozzy Inc., Boston	Konastone Service Inc., Dracut
Francois Transportation Inc., Tewksbury	K's Personal Transport Inc., Oxford
Dawn Freeman, Peabody	Kush Transportation Inc., Methuen
Mary Fuller, Hinsdale	L & G Transportation Service, Leominster
Furtuna Enterprise Inc., Somerville	L. B. Transportation, Waltham
GAAMHA Inc., Gardner	Raunona M. Law D/B/A, Worcester
Gabriel Transportation, Amherst	Harold A. Learned D/B/A, Southbridge
Gentle Arms Daily Trans., Chelmsford	Lidstar International Inc., Lynn
Gentle Ride Inc., Stoneham	Lifestream Transportation LLC, Spencer
Gloria Transportation Inc., Canton	Lifeworks Inc., Westwood
Pat Faysal Goldfarb, Revere	Light Global Inc., Lynn
Greater Lowell Transportation, Lowell	Lodge T LLC, Revere
Greater Lynn Senior Services, Lynn	Longonot Transportation Inc., Springfield
Greater North Transportation Inc., N. Chelmsford	Lowell Regional Transit Authority, Lowell
Green Cab Co. Inc., Somerville	Lowell Transportation, Tewksbury
Habilitation Assistance Group, Plymouth	Loyal Transportation LLC, West Bridgewater
Hardy Transportation LLC., Winchendon	Lux Transportation, Quincy
HC Transportation, Ashland	Luxus Inc., Quincy
Heart to Heart Transportation, N. Chelmsford	M Trans, W. Roxbury
Patrick Hendershot, Malden	Malka Inc., Randolph
Heritage Truck & Transit, Gardner	Management of Transportation Services Inc., Fitchburg
Higher Ground Enterprise, Mattapan	Management of Transportation Services of Gardner Inc., Gardner
Home and Away Transportation Inc., Lowell	Faith Manning, Burlington
Horace Mann Educational Associates Inc., Franklin	Mark's Transportation LLC, Milford
Hudson Transportation Services, Salem	MassFinest Inc., Billerica
Hulmes Transportation Service, Belchertown	Masstran Corp., Danvers
Human Resources Unlimited, Springfield	Matthews Ride, N. Billerica
In Time Med Transport LLC, Worcester	Maxride Inc., Dracut
JC Transportation Inc., Lawrence	Bree McConnell, Quincy
Daisy Jebb, Essex	Medical Transportation Inc., Auburndale
Jet Transportation Inc., Shrewsbury	Metro Mass Transportation Service LLC, Revere
JFK Transportation Inc., Natick	Metro Transport Services LLC, Revere
JOMO Transportation Inc., Lawrence	

Michael Transportation Services Corp., Lynn
 Cheryl Michellotti, Malden
 Midnight Express Livery LLC, Chelmsford
 Mighty Livery Transportation LLC, Wilmington
 Mill City Transit LLC, Billerica
 Minute Man Arc for Human Services Inc., Concord
 Mobile Transportation, Quincy
 Mamed Mollayev D/B/A, Auburndale
 Jermaine Montique D/B/A, Worcester
 Moose Hill Transportation Inc., Sharon
 MTG Transportation, Easthampton
 Mystic Service Corp. Inc., Medford
 Mystic Transportation, Worcester
 Need-A-Lift Medivan Inc., Leominster
 New Worcester Yellow Cab, Worcester
 Paulette Nickerson, Medford
 Northeast ARC Inc., Danvers
 NuPath Inc., Woburn
 Nurse Care Transportation, Methuen
 Oceanside Medical Transportation, Lynn
 Omar Transport LLC, Waban
 Optimo Transportation LLC, Roxbury
 Bernard Orenstein, Peabody
 Antonio Paiva, Everett
 Perfection, Inc., Brighton
 Phil's Transportation, Wales
 PHL Inc., Shrewsbury
 Pilgrim Transportation Inc., Stoughton
 Prestige Livery Transportation LLP, Woburn
 Prestige Medical Transportation Inc., Mattapan
 Prevalent Transport Inc., Chicopee
 Prime Solution Group, Brookline
 Quality Assurance Transportation, Waltham
 Quantum Transportation LLC, Watertown
 R & M Ride, Lexington
 R.E.M. Services Trans. LLC, Belmont
 Rafa Transportation LLC, Springfield
 RCK Transportation Inc., Everett
 Red Cab , Worcester
 Reliable Trans, Worcester
 Reliable Transport, Jamaica Plain
 Reliable Transportation, N. Chelmsford
 Reliamed Transportation, Inc., Shrewsbury
 Ride on Time Inc., Lynn
 Ride Rite Medi Van Inc., Westminister
 Ridex Inc., Brockton
 Carol J. Ringer, Lynnfield
 Bertie Risso, Westford
 Riverside Industries Inc., Easthampton
 RM Transportation Inc., Swampscott
 RNC Transportation Services Inc., Burlington
 Royal Care Transportation, Framingham
 Rwendo Transportation Inc., North Chelmsford
 Sadko, Inc., Newton
 Safe Ride Trans. Inc., Woburn
 Safe Transportation Inc., Holbrook
 Sahara Transport LLC, Revere
 Sam's Trans Delivery, Lawrence
 Samtag Transit LLC, Worcester
 Sanko Inc., Stoughton
 Janice Scaparotti, Medford
 Seaway Transportation Services Inc., Woburn
 Sera-Ride, Lynn
 Serene Transportation, Inc., South Hadley
 Seven Hills Community Services Inc., Worcester
 Shamrock Livery Inc., Marshfield
 Sisli LLC, Brighton
 Six Star Transportation, Inc., Watertown
 SLG Run, LLC, Holbrook
 Smart Transportation Inc., Quincy
 Smood Transportation Inc., Lynn
 Smooth Ride Transportation., Leominster
 Solika Transit, Springfield
 Sonic Velocity Inc., Chicopee
 South Shore Community Action Council Inc., Plymouth
 Spartacus Transportation LLC, Dover
 Stage-One Service Boston Inc., Waltham
 Star Line Transportation LLC, West Springfield
 Starlight Transportation, Worcester
 Storm Cloud, Medford

Sunrise-Amancer Inc., Springfield
Support Management Inc., Waltham
Surrimassini Inc., Salem
SVT, Chicopee
T3 Transportation Inc., Boston
The May Institute, W. Roxbury
Tommy's Taxi Inc., Framingham
Total Traveler Transportation LLC, Marshfield
Transability Inc., Melrose
Transportation On Call, Stoughton
Travelcom Inc., Groton
Travelers Transit Inc., Woonsocket, RI
Tri-City Services Inc., Peabody
United Transportation Group Inc., Worcester
Valley Opportunity Council, Chicopee
Venture Community Service Inc., Sturbridge
Vesta Inc., Stoughton
Veteran's Taxi of Newton LLC, Waltham
VHS Transportation Company, S. Easton
Victorious Services Inc., Waltham

Vision Beyond Transportation, N. Chelmsford
Vital Transportation LLC, Everett
Vlads Transportation, W. Springfield
Voyage Transportation LLC, Quincy
VT Car & Limousine LLC, Everett
Janet Wainwright, Sudbury
West Medical Transportation Inc., Stoughton
Westfield Transport Inc., Westfield
Winnie & Josena Transportation, Worcester
Wood's Ambulance Inc., Gardner
Worcester Medical Transportation, Worcester
Worcester Transportation Corp., W. Springfield
World Class Limousine LLC, Andover
World Inc., Worcester
WOW Transportation Inc., Quincy
Yaris Transportation, Lynn
Yellow Cab Co., Springfield
Yerevan Group Inc., Lynn
Youth on the Move, Springfield
Zoe Transportation, Cherry Valley

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Revenue and Cost of Service by Route
For the Year Ended June 30, 2015

	Revenue		Cost of Service		Net Interest	Net Income
	Operations	Other	Transportation Service	Administrative	(Income) Expense	(Loss)
Fitchburg:						
Circle Line	\$ 78,060	\$ 49,413	\$ 674,490	\$ 192,208	\$ 8,142	\$ (747,367)
Main Line	65,159	41,247	805,465	229,531	9,723	(938,313)
Fitchburg Intown	110,455	69,920	776,014	221,139	9,367	(826,145)
Intercity Service	958	606	8,520	2,428	103	(9,487)
ADA/Dial-A-Ride	110,654	70,046	758,690	216,202	9,158	(803,350)
Fitchburg Total	365,286	231,232	3,023,179	861,508	36,493	(3,324,662)
Leominster:						
Circle Line	129,288	79,911	1,125,256	319,005	13,535	(1,248,597)
Main Line	107,921	66,705	939,289	266,284	11,298	(1,042,245)
Leominster Intown	13,829	8,548	120,360	34,122	1,448	(133,553)
Intercity Service	872	539	7,589	2,151	91	(8,420)
ADA/Dial-A-Ride	105,242	65,049	745,687	211,399	8,970	(795,765)
Leominster Total	357,152	220,752	2,938,181	832,961	35,342	(3,228,580)
Lunenburg:						
Fixed Route	11,595	8,759	98,168	37,910	1,533	(117,257)
ADA/Dial-A-Ride	4,417	3,336	22,944	8,860	358	(24,409)
Lunenburg Total	16,012	12,095	121,112	46,770	1,891	(141,666)
Lancaster:						
Fixed Route	4,123	7,622	34,904	27,812	1,233	(52,204)
ADA/Dial-A-Ride	552	1,021	2,294	3,723	81	(4,525)
Lancaster Total	4,675	8,643	37,198	31,535	1,314	(56,729)
Gardner:						
Circle Routes 1&2	35,230	24,741	611,572	170,528	7,155	(729,284)
MWCC	12,083	8,486	44,706	12,466	523	(37,126)
Link Service	21,260	14,931	189,905	52,952	2,222	(208,888)
ADA/Dial-A-Ride	52,744	37,041	385,529	107,499	4,511	(407,754)
Gardner Total	121,317	85,199	1,231,712	343,445	14,411	(1,383,052)
Athol:						
Fixed Route	5,867	2,514	132,362	36,634	1,619	(162,234)
Link Service	12,486	5,351	111,532	30,869	1,365	(125,929)
Dial-a-Ride	55,861	23,938	572,324	158,404	7,002	(657,931)
Athol Total	74,214	31,803	816,218	225,907	9,986	(946,094)
Councils on Aging	72,317	76,301	2,394,183	291,613	13,289	(2,550,467)
Dial-A-Mart	514,797	-	614,164	-	-	(99,367)
TOTAL	\$ 1,525,770	\$ 666,025	\$ 11,175,947	\$ 2,633,739	\$ 112,726	\$ (11,730,617)

See Independent auditors' report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Brokerage Program Revenue and Cost of Service
For the Year Ended June 30, 2015

	Revenue	Cost of Service		Net Interest Expense	Net Income/(Loss)
		Transportation Service	Administrative		
SPECIAL EDUCATION					
Special Ed - Ashburn/West	\$ 706,657	\$ 666,858	\$ 28,087	\$ -	\$ 11,712
Special Ed - Fitchburg	124,772	117,709	4,957	-	2,106
Special Ed - Gardner	6,209	5,858	247	-	104
Special Ed - Leominster	1,369,892	1,292,188	54,424	-	23,280
Special Ed - Shirley	232,338	219,434	9,242	-	3,662
Special Ed - Other	58,882	55,220	2,326	-	1,336
TOTAL SPECIAL EDUCATION	2,498,750	2,357,267	99,283	-	42,200

COMMONWEALTH OF MASSACHUSETTS

Department of Mental Health	1,326,068	1,326,087	67,984	44	(68,047)
Department of Public Health	3,137,178	3,135,715	160,759	104	(159,400)
Mass Health	32,130,286	31,399,711	1,609,769	1,042	(880,236)
Mass Health Ico	1,492,748	1,151,594	59,039	38	282,077
Department of Developmental Services	13,974,913	13,604,368	697,455	452	(327,362)
Department of Developmental Services Dayhab	59,616,358	58,778,523	3,013,398	1,951	(2,177,514)
Department of Developmental Services Dayhab Ico	467,536	629,105	32,252	21	(193,842)
Ma Rehab & Commission for the Blind	381,142	378,334	19,396	13	(16,601)
Dial-a-Mart	(2,695,736)	(1,554,866)	-	-	(1,140,870)
Administration	4,908,360	390	20	-	4,907,950
TOTAL COMMONWEALTH OF MASSACHUSETTS	114,738,853	108,848,961	5,660,072	3,665	226,155
TOTAL BROKERAGE PROGRAMS	\$ 117,237,603	\$ 111,206,228	\$ 5,759,355	\$ 3,665	\$ 268,355

See Independent auditors' report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Allocation of Net Cost of Service
For the Year Ended June 30, 2015

	Fixed Route	Councils on Aging	Total	General and Administrative	Federal/Other Assistance	Other Income	Cost of Service	Special Education	HST Brokerage	State Assistance	Local Assessment	Unreimbursed Cost of Service
Fitchburg	\$ 2,495,346	\$ 372,647	\$ 2,867,993	\$ 948,489	\$ (835,432)	\$ (427,109)	\$ 2,553,941	\$ (9,034)	\$ (77,744)	\$ (1,911,205)	\$ (653,096)	\$ (97,138)
Leominster	2,433,076	340,807	2,773,883	848,928	(796,477)	(391,483)	2,434,851	(8,280)	(74,119)	(1,822,086)	(622,642)	(92,276)
Gardner	786,672	94,883	881,555	357,089	(304,278)	(4,180)	930,186	(88)	(28,316)	(696,091)	(237,868)	(32,177)
Lunenburg	105,100	65,294	170,394	48,560	(45,638)	(33,802)	139,514	(715)	(4,247)	(104,403)	(35,677)	(5,528)
Templeton	76,394	163,178	239,572	63,752	(63,514)	(45,647)	194,163	(966)	(5,910)	(145,299)	(49,652)	(7,664)
Westminster	-	115,399	115,399	27,059	(29,974)	(19,199)	93,285	(406)	(2,840)	(69,808)	(23,855)	(3,624)
Winchendon	43,036	97,932	140,968	33,476	(36,654)	(25,737)	112,053	(544)	(3,411)	(83,854)	(28,654)	(4,410)
Ayer	-	131,556	131,556	30,605	(34,149)	(21,733)	106,279	(460)	(3,235)	(79,532)	(27,178)	(4,126)
Boxborough	-	43,159	43,159	9,952	(11,196)	(7,073)	34,842	(150)	(1,061)	(26,073)	(8,910)	(1,352)
Harvard	-	56,390	56,390	13,309	(14,655)	(9,435)	45,609	(200)	(1,388)	(34,131)	(11,663)	(1,773)
Littleton	-	118,849	118,849	28,082	(30,889)	(19,909)	96,133	(421)	(2,926)	(71,940)	(24,583)	(3,737)
Shirley	-	66,309	66,309	32,615	(20,499)	(14,629)	63,796	(309)	(1,942)	(47,741)	(16,314)	(2,510)
Lancaster	32,523	93,077	125,600	32,779	(33,225)	(23,580)	101,574	(499)	(3,092)	(76,011)	(25,975)	(4,003)
Sterling	-	89,453	89,453	20,583	(23,200)	(14,633)	72,203	(310)	(2,198)	(54,032)	(18,464)	(2,801)
Stow	-	46,605	46,605	5,569	-	(6,797)	45,377	(144)	(1,381)	-	(45,560)	(1,708)
Ashburnham	-	91,591	91,591	21,593	(23,845)	(15,131)	74,208	(320)	(2,259)	(55,533)	(18,977)	(2,881)
Ashby	-	40,232	40,232	9,602	(10,465)	(7,376)	31,993	(156)	(974)	(23,940)	(8,181)	(1,258)
Athol	742,004	161,278	903,282	235,361	(61,579)	(885,419)	191,645	(18,729)	(5,834)	(143,415)	(49,008)	(25,341)
Hubbardston	-	54,901	54,901	12,621	(14,237)	(8,974)	44,311	(190)	(1,349)	(33,159)	(11,331)	(1,718)
Bolton	-	12,618	12,618	2,970	(3,278)	(2,109)	10,201	(45)	(311)	(7,634)	(2,609)	(398)
Hardwick	-	65,708	65,708	15,578	(17,083)	(11,039)	53,164	(234)	(1,618)	(39,784)	(13,595)	(2,067)
Totals	\$ 6,714,151	\$ 2,321,866	\$ 9,036,017	\$ 2,798,572	\$ (2,410,267)	\$ (1,994,994)	\$ 7,429,328	\$ (42,200)	\$ (226,155)	\$ (5,525,671)	\$ (1,933,792)	\$ (298,490)

See Independent auditors' report.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Administrative, General and Interest Expenses
For the Year Ended June 30, 2015

ADMINISTRATIVE	HST BROKERAGE PROGRAMS	SPECIAL EDUCATION	REGIONAL TRANSIT AUTHORITY	TOTAL
Insurance - General Liability Ex/Umbr	\$ 122,000	\$ -	\$ 25,280	\$ 147,280
Insurance - Property	22,800	-	102,340	125,140
Insurance - Other Vehicles	12,746	-	424,669	437,415
Insurance - Bus	-	-	148,443	148,443
Payroll - Administrative	2,509,944	82,042	912,929	3,504,915
Payroll - Temporary Staff	488,670	-	85,843	574,513
Payroll - Uncompensated Absences	(33,931)	(564)	(33,572)	(68,067)
Payroll - Fica/Medicare Tax	179,645	5,805	28,583	214,033
Payroll - Unemployment Tax	52,021	772	15,033	67,826
Payroll - Health Insurance	268,001	10,976	60,047	339,024
Payroll - Life/Disability Insurance	16,539	252	2,432	19,223
Payroll - Workers Comp Insurance	360	-	212	572
Payroll - Pension Benefit	5,848	-	25	5,873
Advertising - Marketing / Legal / Consultant	290	-	8,299	8,589
Consultant - Technical/MRPC	39,187	-	119,354	158,541
Consultant - Other	-	-	38,397	38,397
Security	-	-	12,051	12,051
Legal Counsel	84,339	-	34,440	118,779
Auditor	36,201	-	18,649	54,850
Office Supplies	32,562	-	26,310	58,872
Equipment/Maintenance	14,774	-	47,934	62,708
Equipment Lease Expense	4,556	-	1,095	5,651
Purchase Services	3,020	-	18,220	21,240
IT Software	3,414	-	4,761	8,175
Travel	3,689	-	2,082	5,771
Meetings	307	-	(737)	(430)
Self Funded Rent Expense	208,056	-	-	208,056
Consultants - Computer Service Contracts	370,135	-	15,687	385,822
Consultants - Operational / CATA	75,000	-	-	75,000
Miscellaneous Expense	-	-	11,081	11,081
Telephone	487,273	-	132,735	620,008
Telephone - Maintenance	8,175	-	7,903	16,078
Reserve Fund / Bad Debt Expense	473,294	-	-	473,294
Utilities & Maintenance Water St. Facility	31,588	-	112,380	143,968
Utilities & Maintenance ITC Facility	98,089	-	86,570	184,659
Utilities & Maintenance Gardner Facility	-	-	73,422	73,422
Utilities & Maintenance N. Main Facility	14,591	-	65,916	80,507
Utilities & Maintenance Athol Facility	-	-	24,926	24,926
Total Administrative	5,633,183	99,283	2,633,739	8,366,205
GENERAL AND INTEREST				
Debt Service / Bank fees	3,665	-	21,248	24,913
Interest Expense	-	-	97,690	97,690
Ticket Agency Expense	-	-	288,227	288,227
Commuter Rail Interface	26,889	-	183,724	210,613
Total General And Interest	30,554	-	590,889	621,443
Total Administrative, General and Interest	\$ 5,663,737	\$ 99,283	\$ 3,224,628	\$ 8,987,648

See Independent auditors' report.

**MONTACHUSETT REGIONAL TRANSIT AUTHORITY
(A COMPONENT UNIT OF MASSACHUSETTS DEPARTMENT OF TRANSPORTATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<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-X722	\$ 2,344,000
Capital - Section 5307 Urban Area Formula			
8 replacement paratransit vans, rehab maintenance facility, transit planning	20.507	MA-90-X705	380,570
Capital - Section 5307 Urban Area Formula			
Miscellaneous property improvements, Computer hardware/network, North Leominster parking garage	20.507	MA-90-X647	58,638
Capital - Section 5309 Discretionary Tiger II Discretionary			
Transit energy management model for renewable resources	20.500	MA-88-0001	269,168
Capital - Section 5307 Urban Area Formula			
North Leominster garage, misc property improvements	20.507	MA-90-X668	434,785
Capital - Section 5309 Veterans Transportation	20.500	MA-04-0073	948,792
Capital - Section 5309 State of Good Repair			
Rehab facilities	20.500	MA-04-X061	242,882
Capital - Section 5309-6 Ayer Parking Lot	20.500	MA-55-0006	4,944
Total Direct Recipient Expenditures			4,683,779
U.S. Department of Transportation (FTA)			
Sub-Recipient Grants (Pass-Through Commonwealth of Massachusetts)			
Operating - Other ARRA Tiger Multimodal Discretionary			
MBTA commuter rail service to Wachusett	20.500	MA-78-0002	18,908
Capital - Other ARRA Tiger Multimodal Discretionary			
MBTA commuter rail service to Wachusett	20.500	MA-78-0002	3,646
Capital - Section 5339 Bus and Bus Facilities			
2 replacement paratransit vans	20.526	MA-34-0003	121,534
Capital - Section 5339 Bus and Bus Facilities			
Rehab facility	20.526	MA-34-0002	1,132
Total Sub-Recipient Federal Expenditures			145,220
Total Expenditures of Federal Awards			\$ 4,828,999

See accompanying notes to schedule of expenditures of federal awards.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montachusett Regional Transit Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Montachusett Regional Transit Authority's (the "Authority," a component unit of Massachusetts Department of Transportation) 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 the Authority's major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



October 1, 2015

STOWE & DEGON LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montachusett Regional Transit Authority (the "Authority", a component unit of Massachusetts Department of Transportation) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 1, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Authority's Response to Findings

The Authority's response to the findings identified in our prior year audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Stowe & DeGon LLC".

October 1, 2015

**MONTACHUSETT REGIONAL TRANSIT AUTHORITY
(A COMPONENT UNIT OF MASSACHUSETTS DEPARTMENT OF TRANSPORTATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)	No

Identification of Major Program(s)

<u>Program</u>	<u>CFDA Nos.</u>
United States Department of Transportation – Federal Transit Cluster	20.500 / 20.507 / 20.526
Dollar threshold used for distinguishing between Types A and B programs	\$300,000
Auditee qualified as a low-risk auditee	No

**MONTACHUSETT REGIONAL TRANSIT AUTHORITY
(A COMPONENT UNIT OF MASSACHUSETTS DEPARTMENT OF TRANSPORTATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

II. Finding – Financial Audit

No findings

III. Federal Award Findings and Questioned Costs:

No findings

Summary Schedule of Prior Audit Findings

2014-01: Failure to Reconcile Cash Accounts in a Timely Manner (Material Weakness)

Finding: Cash balances were not accurate in the general ledger and that bank accounts had not been reconciled to the general ledger for several months. The reconciliation process for the June 2014 balances was not completed until late September.

Resolution: The bank reconciliation process has been restructured to include best practices and to meet financial reporting requirements on a monthly basis. The staff has been trained to perform the bank reconciliations each month with a trained supervisor for support and a final review and sign off by the Chief Financial Officer. The bank reconciliations are maintained in a file folder system; each folder includes the reconciliation and supporting documentation for proof. The utilization of the ERP system Check Book Reconciliation Module has ceased as the module data cannot be corrected and therefore cannot be used with confidence.

2014-02: Delays in Reconciling Federal Grants Receivable (Significant Deficiency)

Finding: The federal capital grants receivable general ledger balance was not reconciled until September. During this process, management discovered that approximately \$66,000 in federal capital grants earned in fiscal 2014 were incorrectly recorded as fiscal 2015 grant income. We note, however, that the funds were properly reported in the TEAM website in fiscal 2014.

Resolution: We have restructured the following to help integrate the Grants Management System: a) the balance sheet accounts were expanded to provide accurate detailed accounting of each grant approval and expenditure and b) a review of expenditures is performed each month with a comprehensive reconciliation of the balance sheet values, the Grants Management database and the Fixed Asset system.

In process to completely integrate the Grants Management and Fixed Asset systems is the implementation of Trans –Am software being developed in conjunction with the FTA and other RTA's. The system will effectively monitor Grants Approval, Grants Expenditures and Fixed Asset Systems. It will eliminate the need to have separate Fixed Asset Systems, Grants Databases and other analytical Assets tools. These steps will improve the accuracy relative to grants reporting and management.

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