

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

Financial Statements
and
Independent Auditors' Reports

June 30, 2016

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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, 2016, and the statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of June 30, 2016, 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 31 for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and 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 27 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



September 30, 2016

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

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, 2016. 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 \$554,716 during FY2016. This decrease is mainly due to the depreciation being greater as a result of large Capital Improvement Projects (CIP) in FY2015. In addition we had many small capital projects, but none of significant size to offset the depreciation.
- The Authority was able to obtain a favorable interest rate for borrowing on its Revenue Anticipation Note of .735% in August 2016, compared to .687% for the prior year note.
- The amount of the Authority’s Federal 5307 funds used for operations was \$2,333,325 in FY2016. These funds were allocated directly from the Formula funds and used toward urban area and ADA 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 \$109,830,493 in FY2015 to \$121,968,781 in FY2016, an 11% increase.
- The Authority’s basic transit services maintained prior year levels for the first 4 months. A significant change to our Athol Para-transit operations was made in November 2015 due to a change in funding levels for this specific service. The Authority also updated most fixed route alignments, eliminated two routes and increased service hours overall for our fixed bus routes in March 2016.

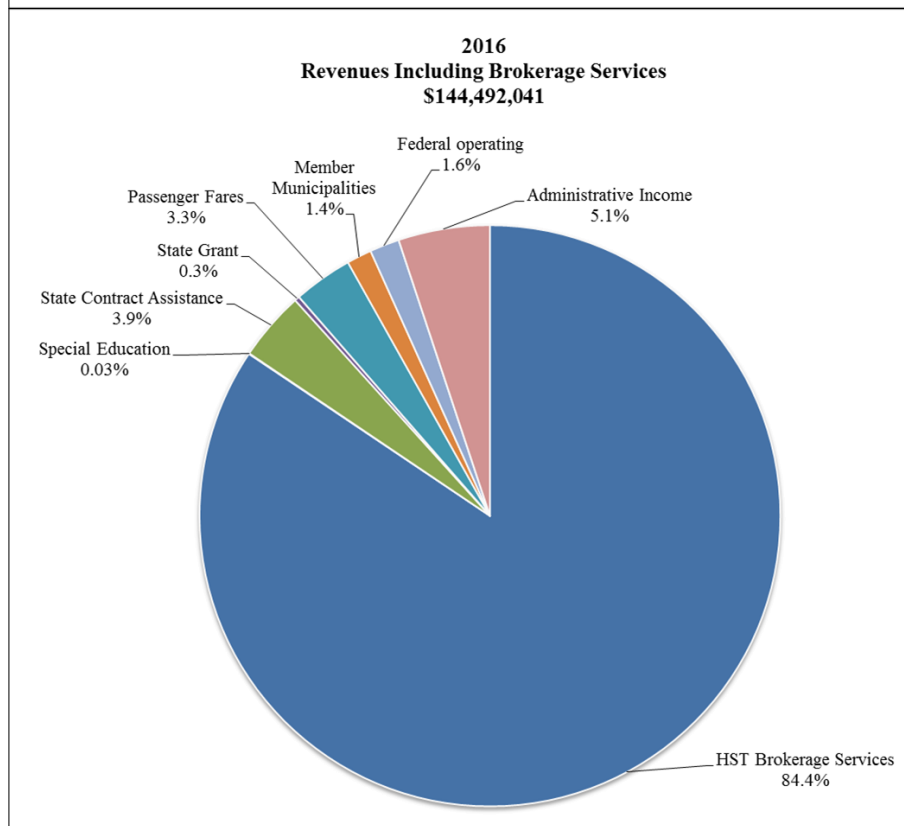
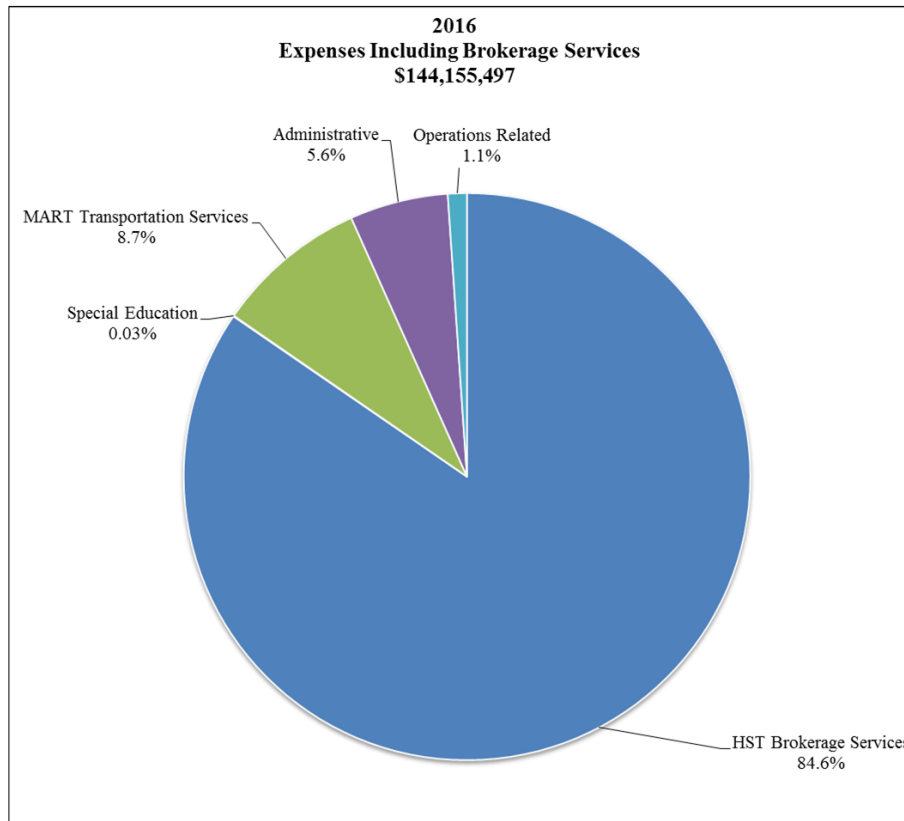
Overview of Financial Statements:

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

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

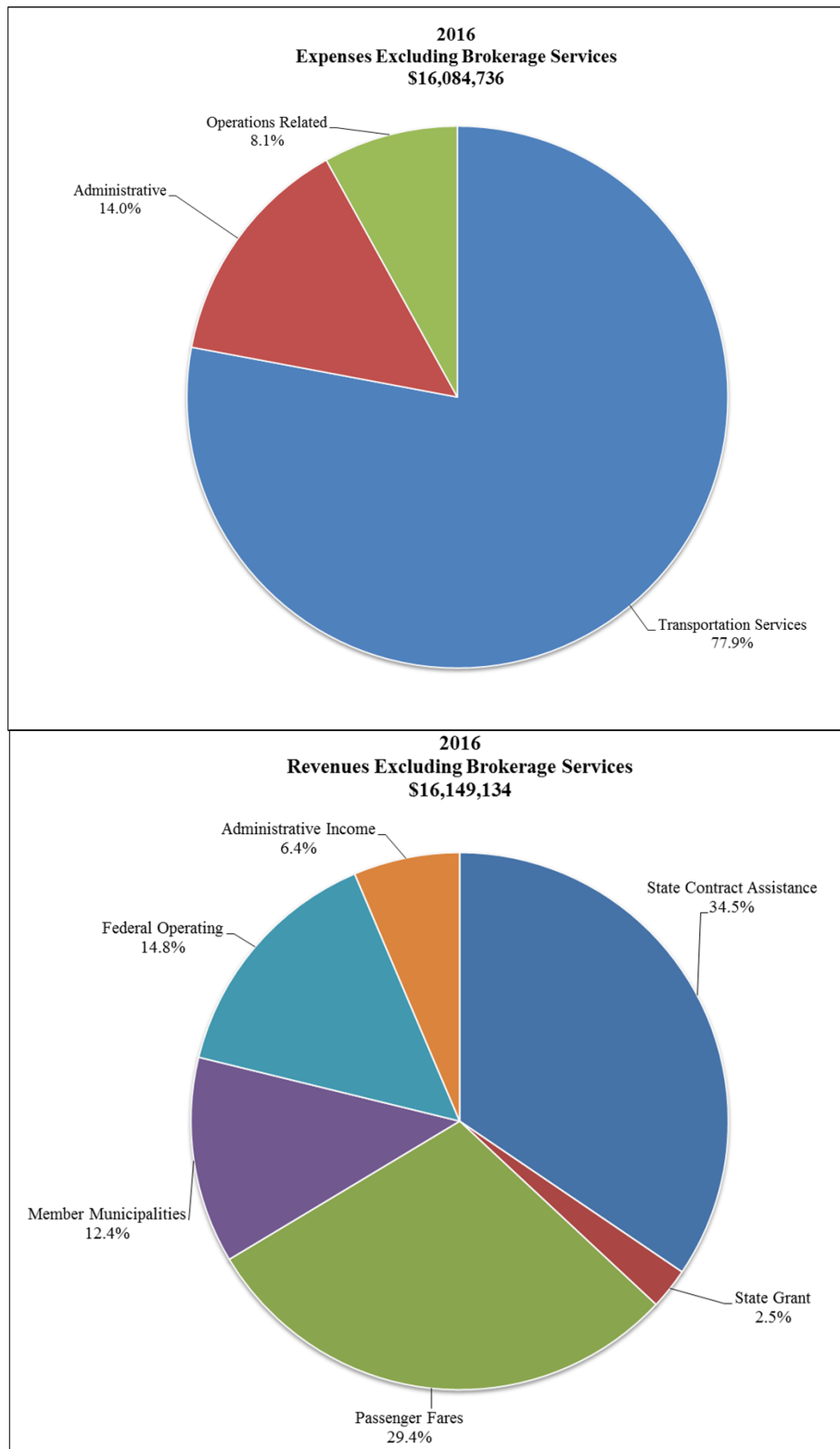
As seen in the following charts a large percentage of service the Authority provides is through its brokerage services, a self (fully) funded program which requires no funds outside of the program funds paid by the Human Services Transportation Agency (HST) with the understanding that HST continues with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

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



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

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



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

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

Government Financial Analysis

The table below provides a summary of the Authority's net position for 2016 and 2015.

	<u>2016 Business- type Activities</u>	<u>2015 Business- type Activities</u>
<u>Assets</u>		
Current assets	\$28,845,329	\$30,748,361
Capital assets	<u>50,613,343</u>	<u>51,168,059</u>
Total assets	<u>79,458,672</u>	<u>81,916,420</u>
<u>Liabilities</u>		
Long-term liabilities	476,669	530,002
Other liabilities	<u>38,327,061</u>	<u>40,256,419</u>
Total liabilities	<u>38,803,730</u>	<u>40,786,421</u>
<u>Net Position</u>		
Invested in capital assets, Net of related debt	50,083,341	50,584,724
Unrestricted deficit	<u>(9,428,399)</u>	<u>(9,454,725)</u>
Total net position	<u><u>\$40,654,942</u></u>	<u><u>\$41,129,999</u></u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the Authority's assets exceeded liabilities by \$40,654,942.

Capital assets reported on the government-wide statements represent the largest portion of the Authority's net assets. As of June 30, 2016, capital assets represented 64% 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, 2016, were \$50,083,341. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Management Discussion and Analysis (Unaudited)
For the Years Ended June 30, 2016 and 2015

Change in Net Position:

The table below shows the change in net position for fiscal years 2016 and 2015.

	2016	2015	Change
Operating Revenues			
Transportation Revenue-HST Brokerage	\$ 121,968,781	\$ 109,830,493	\$ 12,138,288
Transportation Revenue-Special Education	46,868	2,498,750	(2,451,882)
Transportation Revenue-Urban/Rural Service	4,753,943	4,320,036	433,907
Total Operating Revenues	<u>126,769,592</u>	<u>116,649,279</u>	<u>10,120,313</u>
Non-Operating Revenues			
Federal	2,333,325	2,362,908	(29,583)
Commonwealth of Massachusetts	5,968,629	6,295,671	(327,042)
Member Municipalities	2,006,825	1,933,792	73,033
Interest Income	13,395	6,212	7,183
HST Management Fee	6,327,258	4,908,360	1,418,898
Other Income, net	1,073,013	1,066,958	6,055
Total Non-Operating Revenues	<u>17,722,445</u>	<u>16,573,901</u>	<u>1,148,544</u>
Total Revenues	<u>144,492,037</u>	<u>133,223,180</u>	<u>11,268,857</u>
Operating expenses			
Transportation Expense-HST Brokerage	121,916,787	108,848,961	13,067,826
Transportation Expense-Special Education	44,213	2,357,267	(2,313,054)
Transportation Expense-Urban/Rural Service	12,537,800	12,730,814	(193,014)
Administrative	9,439,730	8,811,711	628,019
Depreciation and Amortization	4,441,729	4,020,282	421,447
Total Operating Expenses	<u>148,380,259</u>	<u>136,769,035</u>	<u>11,611,224</u>
Non-Operating Expenses			
Interest Expense	<u>163,636</u>	<u>122,603</u>	<u>41,033</u>
	<u>163,636</u>	<u>122,603</u>	<u>41,033</u>
Total Expenses	<u>148,543,895</u>	<u>136,891,638</u>	<u>11,652,257</u>
Loss Before Capital Grants	(4,051,858)	(3,668,458)	(383,400)
Capital Grants	<u>3,576,801</u>	<u>2,867,738</u>	<u>709,063</u>
Change in Net Position	(475,057)	(800,720)	325,663
Net Position - Beginning of Year	<u>41,129,999</u>	<u>41,930,719</u>	<u>(800,720)</u>
Net Position - End of Year	<u>\$ 40,654,942</u>	<u>\$ 41,129,999</u>	<u>\$ (475,057)</u>

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

Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balances	Additions	Disposals / Transfers	Ending Balances
Land and Land Improvements	\$ 4,780,040	\$ -	\$ -	\$ 4,780,040
Depreciable Properties:				
Building/Improvements Fitchburg Parking	11,906,135	4,466	21,538	11,932,139
Building/Improvements Fitchburg Intermodal	3,890,209	13,048	409,707	4,312,964
Building/Improvements Leominster Parking Lot	12,289,034	179,143	115	12,468,292
Building/Improvements Leominster Storage	6,574,475	48,668	6,600	6,629,743
Building/Improvements Fitchburg Maintenance	9,643,143	131,805	52,650	9,827,598
Building/Improvements Gardner Maintenance	7,423,285	196,812	214,090	7,834,187
Building/Improvements Athol Maintenance	17,542	-	-	17,542
Other Fixed Assets	1,961,994	21,393	-	1,983,387
Systems Development	2,447,848	374,613	185,173	3,007,634
Transportation Equipment	19,971,923	2,549,433	(1,230,168)	21,291,188
	<u>76,125,588</u>	<u>3,519,381</u>	<u>(340,295)</u>	<u>79,304,674</u>
Less Accumulated Depreciation For:				
Building/Improvements Fitchburg Parking	(3,591,383)	(398,952)	-	(3,990,335)
Building/Improvements Fitchburg Intermodal	(2,388,091)	(158,991)	-	(2,547,082)
Building/Improvements Leominster Parking Lot	(2,516,501)	(515,620)	-	(3,032,121)
Building/Improvements Leominster Storage	(1,425,878)	(246,522)	-	(1,672,400)
Building/Improvements Fitchburg Maintenance	(6,648,147)	(347,967)	-	(6,996,114)
Building/Improvements Gardner Maintenance	(1,619,259)	(269,613)	-	(1,888,872)
Building/Improvements Athol Maintenance	(585)	(1,356)	-	(1,941)
Other Fixed Assets	(1,700,271)	(98,459)	-	(1,798,730)
Systems Development	(451,210)	(558,437)	-	(1,009,647)
Transportation Equipment	(12,081,155)	(1,845,812)	1,230,168	(12,696,799)
	<u>(32,422,480)</u>	<u>(4,441,729)</u>	<u>1,230,168</u>	<u>(35,634,041)</u>
Net Depreciable Property	43,703,108	(922,348)	889,873	43,670,633
Construction In Progress	2,684,911	367,632	(889,873)	2,162,670
Net Capital Assets	<u>\$ 51,168,059</u>	<u>\$ (554,716)</u>	<u>\$ -</u>	<u>\$ 50,613,343</u>

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

In 2016 the Authority completed the process of replacing all lighting fixtures and bulbs in all facilities, including converting the Leominster Parking Garage to energy efficient LED lighting. MART started this process in FY14 at the Fitchburg Garage under the TIGGER Grant, replacing a large portion in FY15 with state RTACAP funds, and was able to finish this year using a combination of FY16 Section 5307 Appropriation funds and RTACAP funds. This will help reduce electricity consumption and the corresponding expenditures at all facilities.

MART also replaced/reengineered the HVAC system at the Intermodal Center at Main Street in Fitchburg and began the same process at the Water Street Facility. Thermal Destratification Systems were installed in all three vehicle storage areas to provide better airflow and increase heating/cooling efficiencies. These projects were accomplished through funding awarded by FTA's TIGGER II program. MART has one more energy conservation project, instituting environmental controls, which will be completed in FY2017 and that should close out the TIGGER grant.

MART procured five para-transit vans with our Section 5307 funds and two para-transit vans with a Section 5339 sub-recipient award from MassDOT. An additional mini-bus was purchased with remaining 5339 funds combined with FY16 RTACAP. MART also procured a front-end loader that will help with snow removal to reduce MART's significant operational budget for this activity.

MART used 100% FY2016 RTACAP funds to replace eight 15-passenger vans used primarily in our DDS routes, as well as to install electric vehicle (EV) charging stations in both of our parking garages. These EV stations are part of MART's compliance with the GreenDOT Initiative.

A number of small rehabilitation projects were completed at various facilities using a combination of 5307 and RTACAP funds. These projects included sealing the decks at the Leominster Parking Garage; mitigating the water-run-off/flooding issues at the Gardner Maintenance Facility which had included new pavement; adding dry fire suppression systems to each of the server rooms; upgrading the phone, cabling, and network infrastructure of the Water Street Facility; and new carpet in the MRPC leased space. MART also used a 5339 grant to provide the Water Street Facility with a makeover including carpet, ceiling tiles and new paint scheme.

The Authority also began the process of procuring real-estate in Ayer and the services of an A&E firm, so that the Ayer Commuter Rail Parking Lot project can finally move forward.

Financial Analysis:

- Transportation Services-The Brokerage program continues to expand while funding itself.
- The State Assistance funding increased by \$42,958. The Authority also received a State Earmark of \$400,000 to provide services to Athol in FY16, compared to \$770,000 in FY15. Local assessment has increased by \$48,345 in accordance with Proposition 2 ½, and an additional \$24,688 for the adding Athol Council on Aging services.

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 (Unaudited)
For the Year Ended June 30, 2016

Funding of the Authority:

- Expenses for all services less the brokerage program were \$16 million, and were funded by the following:

	% of Expense	% of Funding
Authority generated revenue	35.8%	35.8%
Federal operating funds	14.8%	14.8%
Local contribution	12.4%	12.4%
Commonwealth assistance	34.5%	34.5%
State Grant	2.5%	2.5%

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Net Position
June 30, 2016

Assets

Current Assets	
Cash and Cash Equivalents	\$ 2,413,224
Receivables for Operating Assistance	
U.S. Department of Transportation	2,333,325
Commonwealth of Massachusetts and Cities and Towns	
Constituting the Authority	2,589,473
Receivables for Capital Grants	
U.S. Department of Transportation	737,158
Commonwealth of Massachusetts	610,363
Accounts Receivable	18,603,366
Other Current Assets	1,558,420
Total Current Assets	<u>28,845,329</u>
Capital Assets	
Non Depreciable Capital Assets	6,942,710
Depreciable Capital Assets, Net of Accumulated Depreciation	43,670,633
Net Capital Assets	<u>50,613,343</u>
Total Assets	<u><u>\$ 79,458,672</u></u>

Liabilities and Net Position

Current Liabilities	
Accounts Payable	\$ 18,540,766
Accrued Expenses	391,233
Deferred Revenue	71,409
Revenue Anticipation Notes Payable	19,000,000
Current Portion of Long Term Debt	53,333
Accrued Interest	270,320
Total Current Liabilities	<u>38,327,061</u>
Long Term Liabilities	
Long Term Debt Net of Current Portion	<u>476,669</u>
Total Liabilities	<u>38,803,730</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	50,083,341
Unrestricted Deficit	(9,428,399)
Total Net Position	<u>40,654,942</u>
Total Liabilities and Net Position	<u><u>\$ 79,458,672</u></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, 2016

Operating Revenues	
Transportation Revenue - HST Brokerage	\$ 121,968,781
Transportation Revenue-Special Education	46,868
Transportation Revenue-Urban/Rural Service	<u>4,753,943</u>
Total Operating Revenues	<u>126,769,592</u>
Operating Expenses	
Transportation Expense - HST Brokerage	121,916,787
Transportation Expense-Special Education	44,213
Transportation Expense-Urban/Rural Service	12,537,800
Administrative (Including Brokerage Administrative)	9,439,730
Depreciation and Amortization	<u>4,441,729</u>
Total Operating Expenses	<u>148,380,259</u>
Operating Loss	(21,610,667)
Non-Operating Revenues (Expenses)	
Federal	2,333,325
Commonwealth of Massachusetts	5,968,629
Member Municipalities	2,006,825
Interest Expense	(163,636)
Interest Income	13,395
HST Management Fee	6,327,258
Other Income, Net	<u>1,073,013</u>
Total Non-Operating Revenues	<u>17,558,809</u>
Loss before Capital Grants	(4,051,858)
Capital Grants	<u>3,576,801</u>
Change in Net Position	(475,057)
Net Position - Beginning of the Year	<u>41,129,999</u>
Net Position - End of the Year	<u><u>\$ 40,654,942</u></u>

See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from passenger fares and contract reimbursements	\$ 126,704,962
Cash paid to vendors	(135,320,356)
Cash paid to employees for services	(3,399,311)
Cash paid for other administrative costs	<u>(6,408,703)</u>

NET CASH USED FOR OPERATING ACTIVITIES (18,423,408)

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Proceeds from Revenue Anticipation Notes	19,000,000
Principal Payments on Revenue Anticipation Notes	(19,000,000)
Interest Payments on Revenue Anticipation Notes	(74,858)
Interest Income	13,395
Proceeds from Operating Grants	10,438,588
Proceeds from HST Management fee	6,327,258
Payment on line of credit	(1,000,000)
Other Income	<u>1,073,013</u>

NET CASH PROVIDED BY NON CAPITAL FINANCING ACTIVITIES 16,777,396

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments on Notes Payable	(53,333)
Proceeds from Capital Grants	1,872,256
Purchase of Capital Assets	<u>(3,101,813)</u>

NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES (1,282,890)

NET DECREASE IN CASH AND CASH EQUIVALENTS (2,928,902)

BEGINNING CASH AND CASH EQUIVALENTS 5,342,126

ENDING CASH AND CASH EQUIVALENTS \$ 2,413,224

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

Operating Loss	\$ (21,610,667)
Depreciation and amortization	4,441,729
Changes in Assets and Liabilities:	
Increase in Receivables	(64,630)
Increase in Other Assets	(151,922)
Decrease in Payables	(1,029,090)
Decrease in Accrued Expenses	<u>(8,828)</u>
Net Cash Used for Operating Activities	<u><u>\$ (18,423,408)</u></u>

See accompanying notes to the financial statements.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Schedule of Net Cost of Service
For the Year Ended June 30, 2016

	Urbanized Area Service	Rural Area Service	Special Education	HST Brokerage Services	Total Area Service
Operating Costs					
RTA Administration Costs (excluding depreciation)	\$ 3,122,333	\$ 260,965	\$ (10,547)	\$ 6,120,308	\$ 9,493,059
Purchased Services					
Fixed Route	4,815,794	88,822	-	-	4,904,616
Demand Reponse	6,650,454	982,732	-	-	7,633,186
Brokerage Services	-	-	44,213	121,916,787	121,961,000
Debt Service	149,603	14,033	-	-	163,636
Total Operating Costs	14,738,184	1,346,552	33,666	128,037,095	144,155,497
Federal Operating Assistance					
FTA Operating & Administrative	2,215,852	117,473	-	-	2,333,325
Other Federal	51,572	2,735	-	-	54,307
Total Federal Assistance	2,267,424	120,208	-	-	2,387,632
Revenues					
Operating	4,347,964	405,979	-	-	4,753,943
Brokerage Service Reimbursement	-	-	46,868	128,296,039	128,342,907
Other Revenues					
Advertising	55,532	2,929	-	-	58,461
Interest Income	12,275	1,120	-	-	13,395
Miscellaneous	924,676	35,569	-	-	960,245
Total Revenues	5,340,447	445,597	46,868	128,296,039	134,128,951
Net Cost of Service	7,130,313	780,747	(13,202)	(258,944)	7,638,914
Net Cost of Service Funding					
Local Assessments	1,892,885	113,940	-	-	2,006,825
State Contract Assistance	5,298,571	670,058	-	-	5,968,629
Unreimbursed surplus	\$ 61,143	\$ 3,251	\$ 13,202	\$ 258,944	\$ 336,540
State Contract Assistance	\$ 5,298,571	\$ 670,058	\$ -	\$ -	\$ 5,968,629
Less: Payment made by Mass DOT prior to June 30	5,298,571	670,058	-	-	5,968,629
Balance Requested from the State	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2016

Note A – The Authority and Operators

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

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

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

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

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

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note A – The Authority and Operators (Continued)

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

In Fitchburg and Leominster this service is provided by Management of Transportation Services Inc. (“MTS”). The Authority paid a management fee of \$95,481 for the year ended June 30, 2016. 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 \$43,497 for the year ended June 30, 2016. 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 \$78,507 for the year ended June 30, 2016. 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, services are provided by Management of Transportation Services of Gardner, Athol Division. The Authority paid a management fee of \$34,000 for the year ended June 30, 2016. The Athol Division was an expansion of services through MTG.

The three 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, and Ashby this service is operated by Dial-A-MART Services, Inc. Management of Transportation Services, Gardner (MTG) performs this service for the city of Gardner. The Authority also reimburses member communities for reasonable and necessary expenses for the efficient operation of the COA 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 Direct 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, 2016

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. 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 261 brokerage program operators for the fiscal year ended June 30, 2016. This list is provided in this report.

Note B- Summary of Significant Accounting Policies

Basis of Presentation

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

Effective July 1, 2015, the Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. 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, 2016

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* results when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through enabling legislation.
- *Unrestricted net position* consists of net assets, which do not meet the definition of the two preceding categories.

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

Operating vs. Non-operating Revenue and Expense

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

Capital Grants

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

Cash and Cash Equivalents

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

Use of Estimates

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

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

Restricted Assets

Restricted assets are restricted for the acquisition of capital assets under the terms defined in the various capital grants received by the Authority. In substantially all cases, the Authority draws down the grant funds after the vendor has been paid. Accordingly, there are no restricted assets at June 30, 2016.

Other Current Assets

Other current 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, 2016, the Massachusetts Municipal Depository Trust (MMDT) bank balance of federally uninsured deposits totaled \$1,070,470. 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, 2016

Note D – Grants

At June 30, 2016, under Sections 5307, 5309, 5339, and 88-GG (TIGGER) of the Federal Transit Administration (“FTA”), as amended, the U.S. Department of Transportation has current active capital grants to the Authority aggregating a remaining balance of approximately \$4.5 million. The federal government normally funds up to 80% of capital projects. However, the Authority has at times been awarded federal grant funding up to 100% for approved capital improvement projects. The remaining non-federal share may be financed through state capital grants, local capital funds, the issuance of long-term debt, and toll development credits.

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation. The contract provides that the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for FY2016 was \$5,568,629. In FY2016 the Commonwealth also provided a State Earmark of \$400,000 for paratransit services for Athol. In addition, the various cities and towns constituting the Authority contributed assistance in the amount of \$2,006,825 for FY2016.

The receivable for operating assistance includes \$582,648 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, 2016 was as follows:

	Balance <u>7/1/2015</u>	<u>Additions/Transfers</u>	<u>Disposals</u>	Balance <u>6/30/2016</u>
Capital assets, not being depreciated:				
Land	\$ 4,780,040	\$ -	\$ -	\$ 4,780,040
Construction in progress	<u>2,684,911</u>	<u>(522,241)</u>	<u>-</u>	<u>2,162,670</u>
Total capital assets not being depreciated:	<u>7,464,951</u>	<u>(522,241)</u>	<u>-</u>	<u>6,942,710</u>
Capital assets, being depreciated:				
Buildings	51,743,823	1,278,642	-	53,022,465
Transportation Equipment	19,971,923	2,549,433	(1,230,168)	21,291,188
System Development	2,447,848	559,786	-	3,007,634
Other Fixed Assets	<u>1,961,994</u>	<u>21,393</u>	<u>-</u>	<u>1,983,387</u>
Total capital assets, being depreciated	76,125,588	4,409,254	(1,230,168)	79,304,674
Total accumulated depreciation	<u>32,422,480</u>	<u>4,441,729</u>	<u>(1,230,168)</u>	<u>35,634,041</u>
Total capital assets, being depreciated, net	<u>43,703,108</u>	<u>(32,475)</u>	<u>-</u>	<u>43,670,633</u>
Net Capital Assets	<u>\$ 51,168,059</u>	<u>\$ (554,716)</u>	<u>\$ -</u>	<u>\$ 50,613,343</u>

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note F – Revenue Anticipation Notes

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

The Revenue Anticipation Note (RAN) outstanding at June 30, 2016 consisted of one note totaling \$19,000,000. This note bore an interest rate of .687% net interest cost (NIC). This note was due in August 2016. The \$19,000,000 RAN was repaid in August 2016 and a new RAN was issued for \$19,000,000. Interest expense related to the RAN amounted to \$283,417 in FY2016, and was offset by a premium upon issuance of \$153,612.

Note G - Long Term Debt

During the year ended June 30, 2016, the following changes occurred in long-term liabilities

	Interest Rate	Original Amount	Maturity Date	Balance 6/30/15	Reductions	Total Balance 6/30/16	Current Portion	Long-Term Portion
Note Payable - Fitchburg Redevelopment Authority	0%	\$1,050,000	June-2026	<u>\$583,335</u>	<u>(\$53,333)</u>	<u>\$530,002</u>	<u>(\$53,333)</u>	<u>\$476,669</u>
Total				<u>\$583,335</u>	<u>(\$53,333)</u>	<u>\$530,002</u>	<u>(\$53,333)</u>	<u>\$476,669</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>
	2017	\$53,333	\$ -
	2018	53,333	-
	2019	53,333	-
	2020	53,333	-
	2021	53,333	-
	2022-2026	<u>263,337</u>	-
Total		<u>\$530,002</u>	<u>\$ -</u>

Note H - Notes Payable

The Authority has a demand commercial line of credit available up to a maximum borrowing of \$5 million, which was an increase effective November 30, 2015 from \$3 million. No amounts were outstanding as of June 30, 2016. Interest is charged at Wall Street Journal prime rate with a floor of 3.25%, interest at June 30, 2016 was 3.25%.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2016

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, 2016.

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

During FY15, the Authority received notice of claim for a civil action in Worcester Superior Court from legal counsel for Care-A-Van Transport, Inc. – plaintiff, as disclosed in the June 30, 2015 financial statements. The Authority is named as co-defendant in this claim which results from the Medicaid fraud scheme perpetrated against MART (from 2010 and prior years) by various companies owned by Alex Shrayber. The total potential claim remains at \$195,000. Also as previously reported, 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 previously completed North Leominster Parking Garage project, there is one pending claim still open from FY15 as disclosed in the June 30, 2015 financial statements. As previously noted, 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. 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, of which MART was one. MART is represented by legal counsel for this project.

MART has also been included in another 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 Barker Steel – plaintiff against TLT Construction, Inc. and its bond holder – Western Surety Company. The total claim is approximately \$20,000 plus interest, costs and attorneys' fees. As with the Canatal Steel suit noted above, it is not possible to estimate MART's potential exposure on this claim since the amount claimed by Barker Steel against TLT Construction, Inc. is for multiple projects TLT Construction was contracted to complete, of which MART was one. MART is represented by the same legal counsel as the Canatal suit noted above.

The Authority believes the above claims are without merit and continues to vigorously contest each claim. No liability has been recorded as of June 30, 2016.

Note J - Retirement Benefits

Effective July 1, 2015, the Authority established a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code for the benefit of substantially all employees. Employees are permitted to contribute amounts to the plan on a pretax basis, and the Authority pays a discretionary amount for each employee, regardless of whether the employee contributes to the Plan. In FY2016, the Authority contributed 10% of each employee's base pay for a total contribution of \$321,640. The Authority also sponsors an investment plan under Section 401(a) of the Internal Revenue Code. No contributions were made to this plan in FY2016, and it is the intention of the Authority to roll the net assets of the investment plan into the 401(k) plan and terminate the investment plan in FY2017.

Montachusett Regional Transit Authority
(A Component Unit of Massachusetts Department of Transportation)
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note K – Related Party Transactions

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

The Authority also serves as ticket agency for MBTA at the Fitchburg Intermodal Station. In FY2016, the Authority collected ticket revenues of \$226,350 and remitted \$227,977 to MBTA.

Cape Ann Transit Authority (CATA) – the Authority paid CATA \$75,000 in FY2016 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 \$163,388 in FY2016 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 FY2016.

801 CMR 53.03(2) Disclosure (Unaudited)

The Administrator, date of hire of February 13, 2003, received compensation for fiscal year 2016 of \$136,827. The Administrator did not receive health insurance.

The Deputy Administrator, date of hire of February 3, 1993, received compensation for fiscal year 2016 of \$121,104. The Deputy Administrator receives health insurance coverage and contributes 33% of the cost of the premium.

The Chief Financial Officer, date of hire of March 16, 2015, received compensation for fiscal year 2016 of \$107,799. The Chief Financial Officer receives health insurance coverage and contributes 33% of the cost of the premium.

Note L – Subsequent Events

In August 2016, the Authority paid its existing revenue anticipation note of \$19,000,000 and issued a new note for \$19,000,000.

Management has evaluated subsequent events through September 30, 2016 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 261
For the Year Ended June 30, 2016

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

Fozzy Inc., Boston	Lowell Transportation, Tewksbury
Francois Transportation Inc., Tewksbury	Loyal Transportation LLC, West Bridgewater
Dawn Freeman, Peabody	Luxus Inc., Quincy
Mary Fuller, Hinsdale	M Trans, W. Roxbury
Furtuna Enterprise Inc., Somerville	Malka Inc., Randolph
GAAMHA Inc., Gardner	Management of Transportation Services Inc., Fitchburg
Gabriel Transportation, Amherst	Management of Transportation Services of Gardner Inc.
Gentle Arms Daily Trans., Chelmsford	Faith Manning, Burlington
Gentle Ride Inc., Stoneham	Mark's Transportation LLC, Milford
Gloria Transportation Inc., Canton	MassFinest Inc., Billerica
Pat Faysal Goldfarb, Revere	Masstran Corp., Danvers
Greater Lynn Senior Services, Lynn	Matthews Ride, N. Billerica
Greater North Transportation Inc., N. Chelmsford	Maxride Inc., Dracut
Green Cab Co. Inc., Somerville	Bree McConnell, Quincy
Habilitation Assistance Group, Plymouth	Medical Transportation Inc., Auburndale
Harambee Enterprise, Lowell	Mercedes Cab Company, Northampton
Patrick Hendershot, Malden	Metro Transport Services LLC, Revere
Higher Ground Enterprise, Mattapan	Metro West Regional, Framingham
Horace Mann Educational Associates Inc., Franklin	Michael Transportation Services Corp., Lynn
Hulmes Transportation Service, Belchertown	Cheryl Michellotti, Malden
Human Resources Unlimited, Springfield	Midnight Express Livery LLC, Chelmsford
Instant Transportation, Worcester	Mighty Livery Transportation LLC, Wilmington
In Time Med Transport LLC, Worcester	Mill City Transit LLC, Billerica
JC Transportation Inc., Lawrence	Minute Man Arc for Human Services Inc., Concord
Daisy Jebb, Essex	Mobile Transportation, Quincy
Jet Transportation Inc., Shrewsbury	Moose Hill Transportation Inc., Sharon
JFK Transportation Inc., Natick	MTG Transportation, Easthampton
JOMO Transportation Inc., Lawrence	Mystic Service Corp. Inc., Medford
Justice Service Inc., Billerica	Mystic Transportation, Worcester
JYL Transportation, Spencer	National Ambulance, Springfield
Kas Transportation, Lowell	Need-A-Lift Medivan Inc., Leominster
K-TX Transit Inc., Holden	New Worcester Yellow Cab, Worcester
Kenmore Transit, Swampscott	Northeast ARC Inc., Danvers
Kenride Inc., Revere	NuPath Inc., Woburn
Kiessling Transit Inc., Norfolk	Nurse Care Transportation, Methuen
King Courier Trans. Inc., Webster	Oceanside Medical Transportation, Lynn
Konastone Service Inc., Dracut	Omar Transport LLC, Waban
Kush Transportation Inc., Methuen	Optimo Transportation LLC, Roxbury
L & G Transportation Service, Leominster	Bernard Orenstein, Peabody
L. B. Transportation, Waltham	Antonio Paiva, Everett
Liberty Ride, Charlestown	Perfection, Inc., Brighton
Lifestream Transportation LLC, Spencer	Phil's Transportation, Wales
Lifeworks Inc., Westwood	Pilgrim Transportation Inc., Stoughton
Light Global Inc., Lynn	Prestige Livery Transportation LLP, Woburn
Lodge T LLC, Revere	Prevalent Transport Inc., Chicopee
Longonot Transportation Inc., Springfield	Prime Solution Group, Brookline

Prospects Transportation, Worcester
 Quality Assurance Transportation, Waltham
 Quantum Transportation LLC, Watertown
 R & M Ride, Lexington
 R.E.M. Services Trans. LLC, Belmont
 Rafa Transportation LLC, Springfield
 RCK Transportation Inc., Everett
 Red Cab , Worcester
 Reliable Trans, Worcester
 Reliable Transport, Jamaica Plain
 Reliable Transportation, N. Chelmsford
 Reliamed Transportation, Inc., Shrewsbury
 Ride on Time Inc., Lynn
 Carol J. Ringer, Lynnfield
 Bertie Risso, Westford
 Riverside Industries Inc., Easthampton
 RM Transportation Inc., Swampscott
 RNC Transportation Services Inc., Burlington
 Royal Care Transportation, Framingham
 Royal Ride, Wakefield
 Rwendo Transportation Inc., North Chelmsford
 Sadko, Inc., Newton
 Safe Ride Trans. Inc., Woburn
 Safe Transportation Inc., Holbrook
 Sahara Transport LLC, Revere
 Sak Transportation, Brockton
 Sam's Trans Delivery, Lawrence
 Samtag Transit LLC, Worcester
 Sanko Inc., Stoughton
 Janice Scaparotti, Medford
 Seaway Transportation Services Inc., Woburn
 Sera-Ride, Lynn
 Serene Transportation, Inc., South Hadley
 Serenity LLC, Wilmington
 Seven Hills Community Services Inc., Worcester
 Shamrock Livery Inc., Marshfield
 Six Star Transportation, Inc., Watertown
 SLG Run, LLC, Holbrook
 Smart Transportation Inc., Quincy
 Smood Transportation Inc., Lynn
 Smooth Ride Transportation., 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
 Starlinks, Worcester
 Storm Cloud, Medford
 S&T Health, Watertown
 Success Corp, Watertown
 Support Management Inc., Waltham
 Surrimassini Inc., Salem
 SVT, Chicopee
 T3 Transportation Inc., Boston
 Time Saver, Woburn
 Tommy's Taxi Inc., Framingham
 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
 US Comfort, West Springfield
 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
 Vlads Transportation, W. Springfield
 Voyage Transportation LLC, Quincy
 VT Car & Limousine LLC, Everett
 Janet Wainwright, Sudbury
 West Medical Transportation Inc., Stoughton
 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, 2016

	Revenue		Cost of Service		Net Interest (Income) Expense	Net Income (Loss)
	Operations	Other	Transportation Service	Administrative		
Fitchburg:						
Circle Line	\$ 60,451	\$ 38,603	\$ 484,658	\$ 150,247	\$ 7,467	\$ (543,318)
Main Line	74,067	47,298	593,822	184,088	9,149	(665,694)
Fitchburg Intown	104,241	66,566	835,739	259,084	12,876	(936,892)
Intercity Service	2,710	1,731	21,727	6,736	335	(24,357)
ADA/Dial-A-Ride	108,510	69,292	1,297,388	402,198	19,989	(1,541,773)
Fitchburg Total	349,979	223,490	3,233,334	1,002,353	49,816	(3,712,034)
Leominster:						
Circle Line	152,022	88,345	1,140,958	349,905	17,559	(1,268,055)
Main Line	124,074	72,103	931,202	285,578	14,331	(1,034,934)
Leominster Intown	13,329	7,746	100,037	30,679	1,540	(111,181)
Intercity Service	2,710	1,575	20,339	6,237	313	(22,604)
ADA/Dial-A-Ride	81,093	47,126	969,579	297,347	14,921	(1,153,628)
Leominster Total	373,228	216,895	3,162,115	969,746	48,664	(3,590,402)
Lunenburg:						
Fixed Route	44,623	24,457	305,645	103,705	5,112	(345,382)
ADA/Dial-A-Ride	2,896	1,587	40,679	13,802	680	(50,678)
Lunenburg Total	47,519	26,044	346,324	117,507	5,792	(396,060)
Lancaster:						
Fixed Route	6,043	8,176	41,389	35,585	1,687	(64,442)
ADA/Dial-A-Ride	290	392	4,068	1,708	166	(5,260)
Lancaster Total	6,333	8,568	45,457	37,293	1,853	(69,702)
Gardner:						
Circle Routes 1&2	51,239	23,804	451,191	123,743	5,678	(505,569)
MWCC	4,713	2,190	31,202	8,557	393	(33,249)
Link Service	23,104	10,734	266,465	73,080	3,353	(309,060)
ADA/Dial-A-Ride	79,039	36,720	664,324	182,196	8,361	(739,122)
Gardner Total	158,095	73,448	1,413,182	387,576	17,785	(1,587,000)
Athol:						
Fixed Route	-	-	-	-	-	-
Link Service	11,380	693	88,822	28,613	1,388	(106,750)
ADA/Dial-A-Ride	394,266	23,996	515,055	165,921	8,046	(270,760)
Athol Total	405,646	24,689	603,877	194,534	9,434	(377,510)
Westminster:						
Intercity Service	2,710	6,037	20,740	26,504	1,214	(39,711)
ADA/Dial-A-Ride	290	646	4,068	5,199	238	(8,569)
Westminster Total	3,000	6,683	24,808	31,703	1,452	(48,280)
Councils on Aging	82,264	63,389	2,319,084	289,440	15,445	(2,478,316)
Dial-A-Mart	661,510	-	1,389,619	-	-	(728,109)
TOTAL	\$ 2,087,574	\$ 643,206	\$ 12,537,800	\$ 3,030,152	\$ 150,241	\$ (12,987,413)

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, 2016

	Cost of Service			Net Interest Expense	Net Income/(Loss)
	Revenue	Transportation Service	Administrative		
SPECIAL EDUCATION					
Special Ed - Ashburn/West	\$ 3,215	\$ 3,080	\$ (735)	\$ -	\$ 870
Special Ed - Fitchburg	10,717	10,061	(2,401)	-	3,057
Special Ed - Gardner	32,936	31,072	(7,412)	-	9,276
Special Ed - Leominster	-	-	-	-	-
Special Ed - Shirley	-	-	-	-	-
Special Ed - Other	-	-	-	-	-
TOTAL SPECIAL EDUCATION	46,868	44,213	(10,548)	-	13,203
COMMONWEALTH OF MASSACHUSETTS					
Department of Mental Health	1,650,388	1,651,443	82,741	-	(83,796)
Department of Public Health	3,293,772	3,294,798	165,077	-	(166,103)
Mass Health	36,329,884	36,333,246	1,820,384	-	(1,823,746)
Mass Health Ico	537,000	371,553	18,616	-	146,831
Department of Developmental Services	16,496,698	15,633,543	783,279	-	79,876
Department of Developmental Services Dayhab	65,958,818	64,037,976	3,208,459	-	(1,287,617)
Department of Developmental Services Dayhab Ico	149,254	214,445	10,744	-	(75,935)
Ma Rehab & Commission for the Blind	619,336	618,895	31,008	-	(30,567)
Dial-a-Mart	(3,066,369)	(239,112)	-	-	(2,827,257)
Unfunded Capital Assets	-	-	250,450	-	(250,450)
Administration	6,327,258	-	-	-	6,327,258
TOTAL COMMONWEALTH OF MASSACHUSETTS	128,296,039	121,916,787	6,370,758	-	8,494
TOTAL BROKERAGE PROGRAMS	\$ 128,342,907	\$ 121,961,000	\$ 6,360,210	\$ -	\$ 21,697

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, 2016

	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	\$ 2,712,687	\$ 451,710	\$ 3,164,397	\$ 1,059,473	\$ (829,499)	\$ (791,451)	\$ 2,602,920	\$ (3,841)	\$ (2,929)	\$ (1,945,336)	\$ (666,493)	\$ (15,679)
Leominster	2,631,347	446,168	3,077,515	1,003,458	(800,041)	(770,452)	2,510,480	(3,739)	(2,825)	(1,876,249)	(642,823)	(15,156)
Gardner	934,156	37,251	971,407	408,015	(259,984)	(303,622)	815,816	(1,474)	(918)	(585,330)	(233,279)	(5,185)
Lunenburg	298,805	79,724	378,529	124,415	(100,253)	(88,103)	314,588	(428)	(354)	(235,113)	(80,552)	(1,859)
Templeton	101,384	103,038	204,422	65,372	(54,079)	(46,017)	169,698	(223)	(191)	(126,826)	(43,452)	(994)
Westminster	21,808	75,941	97,749	33,454	(26,273)	(22,487)	82,443	(109)	(93)	(61,615)	(21,110)	(484)
Winchendon	49,973	69,037	119,010	34,479	(30,924)	(25,528)	97,037	(124)	(109)	(72,522)	(24,847)	(565)
Ayer	-	107,138	107,138	30,765	(27,815)	(21,289)	88,799	(103)	(100)	(66,365)	(22,738)	(507)
Boxborough	-	33,291	33,291	9,350	(8,624)	(6,483)	27,534	(31)	(31)	(20,578)	(7,050)	(156)
Harvard	-	71,758	71,758	20,518	(18,622)	(14,203)	59,451	(69)	(67)	(44,431)	(15,223)	(339)
Littleton	-	136,249	136,249	38,799	(35,344)	(26,867)	112,837	(130)	(127)	(84,331)	(28,893)	(644)
Shirley	-	77,914	77,914	24,914	(20,717)	(15,971)	66,140	(78)	(74)	(49,431)	(16,935)	(378)
Lancaster	39,124	89,634	128,758	39,531	(33,809)	(28,389)	106,091	(138)	(119)	(79,289)	(27,165)	(620)
Sterling	-	82,776	82,776	23,194	(21,440)	(16,084)	68,446	(78)	(77)	(51,154)	(17,526)	(389)
Stow	-	42,435	42,435	5,041	-	(2,827)	44,649	(14)	(50)	-	(44,804)	(219)
Ashburnham	-	65,605	65,605	19,011	(17,048)	(13,145)	54,423	(64)	(61)	(40,674)	(13,936)	(312)
Ashby	-	75,934	75,934	21,563	(19,693)	(16,010)	61,794	(78)	(70)	(46,182)	(15,823)	(359)
Athol	434,503	82,858	517,361	204,042	(55,327)	(489,440)	176,636	(2,376)	(199)	(116,062)	(61,178)	(3,179)
Hubbardston	-	42,040	42,040	11,884	(10,898)	(8,234)	34,792	(40)	(39)	(26,002)	(8,909)	(198)
Bolton	-	19,903	19,903	5,705	(5,167)	(3,948)	16,493	(19)	(19)	(12,327)	(4,223)	(95)
Hardwick	-	46,416	46,416	13,614	(12,075)	(9,405)	38,550	(46)	(43)	(28,811)	(9,871)	(221)
Totals	\$ 7,223,787	\$ 2,236,820	\$ 9,460,607	\$ 3,196,597	\$ (2,387,632)	\$ (2,719,955)	\$ 7,549,617	\$ (13,202)	\$ (8,495)	\$ (5,568,628)	\$ (2,006,830)	\$ (47,538)

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, 2016

ADMINISTRATIVE	HST BROKERAGE PROGRAMS	SPECIAL EDUCATION	REGIONAL TRANSIT AUTHORITY	TOTAL
Insurance - General Liability Ex/Umbr	\$ 177,263	\$ -	\$ 48,789	\$ 226,052
Insurance - Property	-	-	84,414	84,414
Insurance - Other Vehicles	5,476	-	454,313	459,789
Insurance - Bus	-	-	125,751	125,751
Payroll - Administrative	2,343,008	(2,157)	1,076,617	3,417,468
Payroll - Temporary Staff	629,792	-	5,750	635,542
Payroll - Uncompensated Absences	(12,159)	(9,203)	(438)	(21,800)
Payroll - Fica/Medicare Tax	175,369	(151)	72,190	247,408
Payroll - Unemployment Tax	42,460	964	20,340	63,764
Payroll - Health Insurance	295,491	-	62,565	358,056
Payroll - Life/Disability Insurance	27,902	-	10,648	38,550
Payroll - Workers Comp Insurance	2,351	-	1,865	4,216
Payroll - Pension Benefit	230,829	-	90,810	321,639
Advertising - Marketing / Legal / Consultant	87	-	8,485	8,572
Printing	-	-	1,192	1,192
Consultant - Technical/MRPC	-	-	163,388	163,388
Consultant - Other	-	-	(988)	(988)
Security	-	-	54,565	54,565
Legal Counsel	-	-	94,743	94,743
Auditor	27,494	-	15,366	42,860
Office Supplies	29,849	-	38,101	67,950
Equipment/Maintenance	12,645	-	40,661	53,306
Equipment Lease Expense	3,489	-	1,789	5,278
Purchase Services	12,133	-	19,437	31,570
IT Software	39,491	-	27,987	67,478
Travel	1,834	-	3,074	4,908
Meetings	7,645	-	10,017	17,662
Self Funded Rent Expense	240,000	-	21,014	261,014
Consultants - Computer Service Contracts	395,378	-	40,975	436,353
Consultants - Operational / CATA	75,000	-	-	75,000
Miscellaneous Expense	268	-	36,653	36,921
Telephone	641,974	-	155,354	797,328
Telephone - Maintenance	3,343	-	15,964	19,307
Reserve Fund / Bad Debt Expense	624,260	-	-	624,260
Utilities & Maintenance Water St. Facility	15,676	-	65,917	81,593
Utilities & Maintenance ITC Facility	60,847	-	65,462	126,309
Utilities & Maintenance Gardner Facility	-	-	41,894	41,894
Utilities & Maintenance N. Main Facility	11,113	-	42,316	53,429
Utilities & Maintenance Athol Facility	-	-	13,172	13,172
Total Administrative	6,120,308	(10,547)	3,030,152	9,139,913
GENERAL AND INTEREST				
Debt Service / Bank fees	-	-	22,029	22,029
Interest Expense	-	-	141,607	141,607
Ticket Agency Expense	-	-	227,977	227,977
Commuter Rail Interface	-	-	125,174	125,174
Total General And Interest	-	-	516,787	516,787
Total Administrative, General and Interest	\$ 6,120,308	\$ (10,547)	\$ 3,546,939	\$ 9,656,700

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, 2016**

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</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-2016-15-00	\$ 2,333,325
Capital - Section 5307 Urban Area Formula			
8 replacment paratransit vans, rehab maintenance facility, transit planning	20.507	MA-90-X705	259,605
Related non-capital expenditures			600
Capital - Section 5307 Urban Area Formula			
Miscellaneous property improvements, Computer hardware/network, North Leominster parking garage	20.507	MA-90-X647	4,465
Capital - Section 5307 Urban Area Formula			
Replacement buses	20.507	MA-90-X722	657,696
Related non-capital expenditures			1,995
Capital - Section 5307 Urban Area Formula			
North Leominster garage, misc property improvements	20.507	MA-90-X668	98,095
Related non-capital expenditures			3,365
<i>Subtotal CFDA 20.507</i>			<u>3,359,146</u>
Capital - Section 5309 Discretionary Tigger II Discretionary			
Transit energy management model for renewable resources	20.500	MA-88-0001	182,719
Capital - Section 5309 Discretionary			
Paratransit vans,bus station equipment, rehab/renovate bus park	20.500	MA-2016-15-00	517,210
Related non-capital expenditures			37,645
<i>Subtotal CFDA 20.500</i>			<u>737,574</u>
U.S. Department of Transportation (FTA)			
Sub-Recipient Grants (Pass-Through Commonwealth of Massachusetts)			
Capital - Section 5339 Bus and Bus Facilities	20.526	MA-34-0003	
2 replacement paratransit vans			28,466
Capital - Section 5339 Bus and Bus Facilities			
Rehab facility	20.526	MA-34-0002	98,868
Capital - Section 5339 Bus and Bus Facilities			
Mini bus and bike racks	20.526	MA-34-0009	131,842
<i>Subtotal CFDA 20.526</i>			<u>259,176</u>
Total Federal Transit Cluster			<u>4,355,896</u>
U.S. Department of Transportation (FTA)			
Sub-Recipient Grants (Pass-Through Commonwealth of Massachusetts)			
Capital - Section 5310 Mobility Assistance Program			
Eight Type E2 vehicles	20.513	MA-16-0007	386,560
Capital - Section 5310 Mobility Assistance Program			
Ten fully accessible vehicles	20.513	MA-16-X008	241,600
Total Transit Services Programs			<u>628,160</u>
Total Expenditures of Federal Awards			<u>\$ 4,984,056</u>

See accompanying notes to schedule of expenditures of federal awards.

**MONTACHUSETT REGIONAL TRANSIT AUTHORITY
(A COMPONENT UNIT OF MASSACHUSETTS DEPARTMENT OF TRANSPORTATION)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Montachusett Regional Transit Authority under programs of the federal government for the year ended June 30, 2016. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Montachusett Regional Transit Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of Montachusett Regional Transit Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. INDIRECT COST RATES

The Authority does not charge indirect costs to its federal grants.

STOWE & DEGON LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montachusett Regional Transit Authority (the "Authority", a component unit of Massachusetts Department of Transportation) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2016.

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*.

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 black ink that reads "Stowe & Jegon LLC". The signature is written in a cursive, flowing style.

September 30, 2016

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

To the Advisory Board
Montachusett Regional Transit Authority
Fitchburg, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited 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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

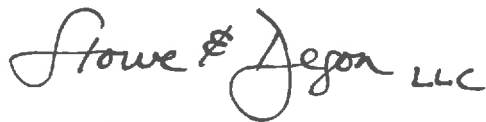
Report on Internal Control over Compliance

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

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

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

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



September 30, 2016

**MONTACHUSETT REGIONAL TRANSIT AUTHORITY
(A COMPONENT UNIT OF MASSACHUSETTS DEPARTMENT OF TRANSPORTATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
--	------------

Internal control over financial reporting:

- | | |
|---------------------------------------|---------------|
| o Material weaknesses identified | No |
| o Significant deficiencies identified | None reported |

Noncompliance material to financial statements noted	No
--	----

Federal Awards

Internal control over major program:

- | | |
|---------------------------------------|---------------|
| o Material weaknesses identified | No |
| o Significant deficiencies identified | None reported |

Type of auditors' report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No
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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	\$750,000
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, 2016**

II. Finding – Financial Audit

No findings

III. Federal Award Findings and Questioned Costs:

No findings

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