

METROWEST REGIONAL  
TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

FINANCIAL STATEMENTS AND REQUIRED  
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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**METROWEST REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the  
Metrowest Regional Transit Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Metrowest Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2014, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Authority as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 3 through 8 and 21 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 an opinion on the financial statements that collectively comprise the Authority’s basic financial statements. The supplementary information included on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, 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.

*Roland P. Lambalot, PC*

Methuen, Massachusetts  
September 25, 2014

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**METROWEST REGIONAL TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information  
Management's Discussion and Analysis

The following is offered to the readers of the Metrowest Regional Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Metrowest Regional Transit Authority (the Authority) during the fiscal year ended June 30, 2014. Please read this discussion and analysis in conjunction with the Authority's financial statements which begin on page 9.

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Edward J. Carr, Administrator, Metrowest Regional Transit Authority, 37 Waverly Street, Framingham, Massachusetts, 01702.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special-purpose government engaged in only business type activities. As such, its financial statements consist of only those financial statements required for proprietary funds and the related notes.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by the notes to the financial statements. In addition to the financial statements, this report also contains supplemental schedules pertaining to the net cost of service of the Authority.

The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the fiscal year with the difference – the increase or decrease in net position – being combined with any capital grants to determine the net change in position for the fiscal year. That change combined with the previous year's end net position total reconciles to the net position total at the end of this fiscal year.

The statement of cash flows reports cash and investment activities for the fiscal year resulting from operating activities, capital and related activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investment balance reconciles to the cash and investment balance of the current fiscal year.

The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements and can be found on pages 12 through 20 of the report.

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**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Required Supplementary Information

Management's Discussion and Analysis

**Condensed Financial Information**

Condensed financial information as of and for the years ended June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 7,620,452	\$ 9,247,121
Capital assets, net	7,067,092	5,736,528
Total assets	<u>14,687,544</u>	<u>14,983,649</u>
Current liabilities	7,620,452	9,298,136
Long term liabilities	-	2,191,170
Total liabilities	<u>7,620,452</u>	<u>11,489,306</u>
Net position:		
Invested in capital assets, net of related debt	7,067,092	3,501,088
Unrestricted	-	(6,745)
Total net position	<u>\$ 7,067,092</u>	<u>\$ 3,494,343</u>
Operating revenue		
Revenue from transportation	\$ 594,484	\$ 597,331
Other	181,333	100,709
Total operating revenues	<u>775,817</u>	<u>698,040</u>
Operating expenses:		
Transportation services	5,888,302	5,288,409
Other operating expenses	1,146,195	1,129,403
Total operating expenses, excluding depreciation	<u>7,034,497</u>	<u>6,417,812</u>
Depreciation and amortization	809,435	780,939
Total operating expenses, including depreciation	<u>7,843,932</u>	<u>7,198,751</u>
Operating loss	<u>(7,068,115)</u>	<u>(6,500,711)</u>
Net nonoperating revenue	<u>6,258,680</u>	<u>5,719,772</u>
Loss before capital grants	(809,435)	(780,939)
Capital grants and contributions	<u>4,382,184</u>	<u>1,024,549</u>
Change in net position	3,572,749	243,610
Beginning of year net position	<u>3,494,343</u>	<u>3,250,733</u>
End of year net position	<u>\$ 7,067,092</u>	<u>\$ 3,494,343</u>

**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Required Supplementary Information  
Management’s Discussion and Analysis

**Financial Highlights**

The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by \$7,067,092. The Authorities total net position increased by \$3,572,749 mainly due to the acquisition of capital assets and grant money received to discharge debt. The Authority’s expenses, except for depreciation and amortization, are fully funded annually through a combination of federal, state, and local assistance.

The Authority’s net position consists of its investment in capital assets (e.g., land, buildings, vehicles, and other equipment). The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are not available for future spending. Although the Authority’s investment in capital assets is reported as net of related debt, it should be noted that the resources needed to repay any related debt outstanding must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Key factors in the changes in revenues and expenses are as follows:**

- Passenger fares decreased \$2,847, or 0.48%, due to a leveling off of ridership during the year.
- Total operating expenses, excluding depreciation, increased by \$616,685, or 9.60%.
- Revenues from assessments from member municipalities increased by 2.5% and the establishment of new services as allowed by law.
- Federal operating assistance and capital assistance increased. State operating assistance and state capital assistance increased.

**Capital Assets and Debt**

The Authority’s capital assets as of June 30, 2014 amounted to \$7,067,092 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, office, and other equipment.

Capital asset additions during the fiscal include the following:

Building & Improvements	\$ 1,652,466
Service equipment	16,652
Transit equipment	454,331
Passenger shelters	7,350
Service vehicle	9,200
	<u>\$ 2,139,999</u>

The Authority acquires its capital assets under federal capital grants and state matching funds.

At year-end, the Authority had \$6,450,000 of notes outstanding, a decrease of \$2,000,000.

**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Required Supplementary Information

Management's Discussion and Analysis

**Economic Factors and Next Year's Budgets**

The Authority's net cost of service (NCS) consists of non-capital expenses (operating) less all non-capital (operating) revenues, except member municipality assessments and contract assistance from the Commonwealth of Massachusetts. The net cost of service (NCS) is partially funded through assessments to member municipalities, which may increase by no more than 2.5% annually plus the members' share of any new services. Until "Forward Funding" in FY2014, local assessment was further limited to be no more than 50% and no less than 25% of the Authority's net cost of service (NCS). The remaining net cost of service (NCS), was funded by the Commonwealth's state contract assistance (SCA).

Since "Forward Funding" began in 2014, the Authority's net cost of service (NCS) continues to be funded by both local assessment and state contract assistance (SCA). However, the Authority is no longer limited to assessing the municipalities by no more than 50% and by no less than 25% of the net cost of service (NCS). The Commonwealth allocates state contract assistance (SCA) to the Authority by a formula which is calculated before the fiscal year begins. Given the amount of state contract assistance (SCA) calculated by the Commonwealth, the Authorities are required to augment the remainder of net cost of service (NCS) with local assessment (LA) to the member municipalities which can increase no more than 2.5% annually plus the member's share of new services.

Local assessment (LA) is calculated after the fiscal year has ended. Historically, the Authority has used base line budgeting and incrementally increased local assessment by 2.5% plus new service. Additionally, Section 5307 of federal funding, allocated for operating the ADA service, is used to backfill the necessary amount of funding to balance the budget, ensuring there is no deficit.

Additionally, the Authority received \$232,600 this year, to pay back receivables due by the Commonwealth to the Authority, for FY2008 and FY2009.

The MWRTA has begun to build out the 15 Blandin Avenue facility it purchased from the South Middlesex Opportunity Council (SMOC). The \$7.3 million CMAQ grant from the Commonwealth covers the purchase (\$2.3 million) and the build out construction (\$5 million). The Authority will also use a large portion of its Federal \$1 million VTCLI grant to build out the "Call Center" as well as a portion of a \$450K New Freedom grant at the new facility. The project at this writing appears to be on time and on budget, with the estimated time of turnover to the Authority of February/March 2015. The Authority has also been awarded a \$1.2 million grant for the installation of a Compressed Natural Gas (CNG) filling station to be located at the Blandin facility.

In the spring, the Authority expects to begin transitioning its administrative operations from 37 Waverly Street and preparing to move the fixed route maintenance and operations by July as it seeks a new contract. The Authority will also be going out for RFPs for its demand response dial-a-ride and ADA service. The goal for next fiscal year will be to consolidate its maintenance operations. This would include ADA paratransit vehicles, Council on Aging vehicles, Framingham State University vehicles, dial-a-ride vehicles, as well as the fixed route fleet. In preparation for our planned conversion of the fleet to CNG the MWRTA has fitted out the maintenance facility to comply with code and strict regulations to perform maintenance on CNG type vehicles. The Authority has a commitment from several surrounding municipalities to purchase CNG, as they begin to convert their fleets.



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Management's Discussion and Analysis

At this writing, the MWRTA is in the process of replacing half of the fixed route fleet with 13 new Type "D" 25' Eldorado gas vehicles, obtained from the Mobility Assistance Program. The original ten (10) 2008 Type "D" vehicles have gone beyond their useful life averaging over 220,000 miles. They are, and will be, repurposed or surplused. The fixed route fleet has grown to 26 vehicles, giving us a 16% spare ratio. Our plan is to replace and expand the fleet, over the next three years, with 5 new Type "D" vehicles per year. Some of the repurposing of the older vehicles include; use for Commercial Driver's License (CDL) training program, donation to COAs both in BAT's and PVTA's service area, as well as MWRTA's, a local DPW, and the Massachusetts Correctional Institution at Framingham for the training of service animals by inmates.

The MWRTA will be distributing 13 Type "E" vehicles into its ADA demand response fleet this year as well. Most of that fleet is now beyond its useful life and the Authority needs to make plans to expand it as we look forward to taking over the MBTA's provision of RIDE service in Weston, Wellesley, and Dover. The Authority will be looking for help from the MBTA both with operating funds and access to sedan procurement in order to provide the service.

This fiscal year, the Authority has taken its National Transit Database (NTD) reporting in house at a significant savings. Staff has also been able to use more sophisticated technology tools to get more accurate ridership numbers. Some previous discrepancies have been addressed, while still showing a combined increase in both demand response and fixed route ridership by 5.4%. However, when calculated by service, the more expensive demand response only increased by 0.44%, while the fixed route increased by 6.7%. This is indicative of the effort made to transition people from the demand response to fixed route by "travel training" as well as attrition of tier 1 to tier 2 ADA services which operates within the federal regulations under which the Authority operates.

MWRTA received an earmark of \$100K in the state budget to provide Commercial Driver's License training to eligible candidates identified by the veterans', social service agencies, and others on its newly created test course, certified by the RMV and the DPU at the Blandin facility.

Framingham State University collaborates with MWRTA in the provision of transportation services to the students and faculty. The Authority provides the vehicles, maintenance, some training, and some oversight, while FSU system is operated by students with direct oversight of the FSU Facilities Department. The Authority will be developing robust technology integration with FSU Transit allowing for a more efficient use of resources to meet their demands. Within the next two years, the Authority will be working very closely with MassBay Community College to provide training for students who would like to obtain their Commercial Driver's License as well as to promote an inter-collegiate transit system with FSU.

This year, as part of its mobility management plan, the Authority has begun implementation of "centralized reservations" with the COA's of member communities. Holliston's COA is fully integrated and, at this writing, Sudbury's COA is following suit. Natick's COA is in the initial contractual stage. "Centralized reservations" is a system whereby a town's COA clients call the Authority's Call Center to book their trips. The Authority provides the COA with a manifest for trips the following day. The Authority is now better able to coordinate ridesharing within its system. The COA is no longer burdened with providing a call taker, scheduler, and handling cash transactions as the clients are part of the Authority's debit fare system.

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Required Supplementary Information

Management's Discussion and Analysis

The Central Transportation Planning Staff, as part of MWRTA's comprehensive service analysis, is providing planning services to enable the Authority to not only transition to the new M&O facility at Blandin Ave., but also to create a new presence at the downtown Framingham commuter rail station. The Authority has received a license from the MBTA to bring its buses into the commuter rail parking lot, with some minor modifications. MWRTA will be moving its current "hub" from Concord and Howard Streets into the new locations, as part of a comprehensive downtown streetscape project.

The Authority will continue to build its shuttle services in the next year with more marketing. Currently it provides a Boston hospital shuttle to the Veteran's Administration in Jamaica Plain and West Roxbury, as well as the major hospitals in the Longwood area. "First mile" and "last mile" shuttle service is also an area of concentration for the MWRTA, as it works to coordinate with MBTA's commuter rail service and its new operator, Keolis, Inc.

The Administrator serves on the Board of Directors for the 495/MetroWest Corridor Partnership, Inc., the Framingham Downtown Renaissance Committee, and the MetroWest Center for Independent Living, giving the Authority a voice in both the economic and disabled community. The Authority will continue to work with our local legislators and the administration to build a public transportation infrastructure in Metrowest which serves all of its citizens, and increases the economic opportunities for the citizens of the state's second largest payroll and revenue generator.

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**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Statement of Net Position

June 30, 2014

**Assets**

Current assets:

Unrestricted cash and cash equivalents (note 2) \$ 1,262,009

Receivables:

Federal operating assistance 1,620,119

Federal capital assistance 188,328

State capital assistance 275,318

Local assessments 4,169,847

Other receivables 16,156

Deferred costs 88,675

Total current assets 7,620,452

Non-current assets:

Capital assets, net (note 4) 7,067,092

Total non-current assets 7,067,092

Total Assets \$ 14,687,544

**Liabilities**

Current liabilities:

Accounts payable and accrued expenses \$ 1,170,452

Revenue anticipation notes payable (note 5) 6,450,000

Total current liabilities 7,620,452

**Net Position**

Invested in capital assets, net of related debt 7,067,092

Unrestricted -

Commitments and Contingencies (note 9) -

Total net position \$ 7,067,092

See accompanying notes to the financial statements

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**METROWEST REGIONAL TRANSIT AUTHORITY**  
 (A Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2014

Operating Revenues:	
Passenger fares	\$ 594,484
Other Income	181,333
	<hr/>
Total operating revenues	775,817
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Operating Expenses:	
Transit service (note 11)	5,888,302
Operation center	285,754
Administrative and general	679,394
Professional services	181,047
Depreciation	809,435
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Total operating expenses	7,843,932
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Operating loss	(7,068,115)
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Non-operating revenues (expense)	
Federal operating assistance	1,929,781
Commonwealth of Massachusetts contract assistance	2,315,165
Local Assessments	2,047,649
Interest income	1,131
Interest expense	(35,046)
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Total non-operating revenues	6,258,680
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Loss before capital grants	(809,435)
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Capital Grants:	
Federal	3,713,987
Commonwealth of Massachusetts	668,197
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Total capital grants	4,382,184
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Change in net position	3,572,749
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Net position, beginning of year	3,494,343
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Net position, end of year	\$ 7,067,092
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*See accompanying notes to the financial statements*

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**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Statement of Cash Flows

Year ended June 30, 2014

Cash flows from operating activities:	
Passenger fares	\$ 594,484
Other cash receipts	181,333
Payments to operators	(5,831,681)
Payments to other vendors	(752,422)
Payments to employees for services	<u>(556,637)</u>
Net cash used in operating activities	<u>(6,364,923)</u>
Cash flows from non-capital financing activities:	
Proceeds from sale of revenue anticipation notes	6,450,000
Principal paid on revenue anticipation notes	(8,450,000)
Interest paid on revenue anticipation notes	(49,565)
Operating and contract assistance	<u>8,545,829</u>
Net cash provided by non-capital financing activities	<u>6,496,264</u>
Cash flows from financing activities:	
Capital grants	2,761,320
Purchase of capital assets	<u>(2,139,939)</u>
Net cash provided by capital and related financing activities	<u>621,381</u>
Cash flows from investing activities:	
Interest income	<u>1,131</u>
Net cash provided by investing activities	<u>1,131</u>
Net change in cash and cash equivalents	753,853
Cash and cash equivalents, beginning of year	<u>508,156</u>
Cash and cash equivalents, end of year	<u>\$ 1,262,009</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (7,068,115)
Adjustments:	
Depreciation	809,435
Changes in assets and liabilities	
Local assessment and other receivables	21,604
Deferred costs	(3,542)
Accounts payable	<u>(124,305)</u>
Net cash used in operating activities	<u>\$ (6,364,923)</u>

*See accompanying notes to the financial statements*

**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Notes to Financial Statements

June 30, 2014

**Note 1. Nature of the Organization and Summary of Significant Accounting Policies**

The financial statements of the Metrowest Regional Transit Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the Authority's accounting policies are described below:

**A. Reporting Entity**

The Authority, a political subdivision of the Commonwealth of Massachusetts (the Commonwealth), was established in accordance with Chapter 161B of the Massachusetts General Laws to provide a public transit system for the territory comprised of the City of Marlborough and the Towns of Ashland, Dover, Framingham, Holliston, Hopkinton, Natick, Sherborn, Southborough, Sudbury, Wayland, Wellesley and Weston. In accordance with requirements of Statement No. 14, *The Financial Reporting Entity*, of the Governmental Accounting Standards Board (GASB), the financial statements must present the Authority (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Massachusetts Department of Transportation.

**B. Basis of Accounting**

The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Position. The principal revenues of the Authority are fare box revenues received from patrons, elderly and handicapped fares. Operating expenses for the Authority include the costs of operating mass transit and demand responsive services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Budget**

The Authority must establish an operating budget each year so that the amount will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, less (b) the aggregate of all revenue and transfers projected to be received by the Authority, including available surplus funds. The budget for all operations of the Authority is prepared by the Administrator and is acted upon by the Advisory Board. The budget is prepared on the accrual basis. Depreciation is not recognized as an expense, but capital outlays are recognized as expenses for budgetary control purposes. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Notes to Financial Statements

June 30, 2014

**D. Cash and Cash Equivalents**

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance except as stated in Note 2. The carrying amount of the cash equivalents is fair value. For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**E. Compensated Absences**

Employees of the Authority are entitled to paid vacations, paid sick days and personal days off, depending on job classification, length of service and other factors. The Authority’s policy is to recognize the costs of compensated absences when actually accrued, subject to accumulation limitations in accordance with personnel policies.

**F. Capital Assets**

Capital assets are stated at cost. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in condition for use. Capital assets are defined as assets with initial, individual costs exceeding \$5,000.

**G. Depreciation**

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

Building	30 years
Building improvements	10 years
Vehicles	3-6 years
Passenger Shelters	5 years
Furniture, fixtures and equipment	5 years

A full month’s depreciation is taken in the month an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations.

**H. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**METROWEST REGIONAL TRANSIT AUTHORITY**  
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Notes to Financial Statements

June 30, 2014

**I. Concentration of Credit Risk**

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of investments, cash equivalents and grants receivable. The Authority’s cash equivalents were with various credit-worthy financial institutions; investments consist of grants receivable from Federal and State operating assistance and local assessments. The Authority considers the credit risk associated with financial instruments to be minimal.

**J. New Accounting Pronouncements**

In fiscal 2014 the Authority adopted the provisions of GASB Statement No. 66, *Technical Corrections – 2012*; No. 67, *Reporting for Pension Plans*; No. 68, *Accounting and Financial Reporting for Pensions*; No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards did not have a material effect on the Authority’s financial statements. The GASB has issued Statement No. 69, *Governmental Combinations and Disposal of Government Operations* which requires adoption subsequent to June 30, 2014 and is applicable to the Authority. The Authority has not yet adopted these statements; the implication on the fiscal practices and financial reports of the Authority are being evaluated.

**Note 2. Cash and Cash Investments**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust (“MMDT”).

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2014 \$1,261,712 of the government’s bank balance of \$1,577,028 was exposed to custodial credit risk as uninsured and uncollateralized. The fair value of the MMDT investment was \$3,743 and its average maturity was less than three months.

**Note 3. Grants**

Under various sections of MAP-21, the United States Department of Transportation approves capital grants to fund up to 80% of the Authority’s capital improvement projects. The remaining portion of approximately 20% will be financed through the Commonwealth’s Massachusetts Department of Transportation. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In addition the Federal government may fund up to 80% of the Authority’s preventative maintenance and complementary ADA services costs, as defined.



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The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation under which the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for fiscal year 2014 was \$2,280,838. The state operating contract assistance receivable, in the accompanying Statement of Net Position in prior years, was inclusive of \$232,576 related to funds due from the Commonwealth for prior years; this amount was received as part of the forward funding process.

**Note 4. Capital Assets**

The following is a summary of changes in Capital Assets at June 30, 2014:

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated				
Land	\$ 284,742	-	-	284,742
Construction in progress	2,242,185	1,634,358	-	3,876,543
Total capital assets not being depreciated	<u>2,526,927</u>	<u>1,634,358</u>	<u>-</u>	<u>4,161,285</u>
Other capital assets:				
Buildings and improvements	1,726,397	18,108	-	1,744,505
Transit equipment	2,324,752	460,461	23,230	2,761,983
Electronic equipment	751,451	-	-	751,451
Passenger shelters	20,765	7,350	-	28,115
Furniture & fixtures	543,077	-	-	543,077
Service equipment	703,383	16,652	-	720,035
Service vehicle	30,391	9,200	-	39,591
Total other capital assets at historical cost	<u>6,100,216</u>	<u>511,771</u>	<u>23,230</u>	<u>6,588,757</u>
Less accumulated depreciation for:				
Buildings and improvements	334,696	141,920	-	476,616
Transit equipment	1,654,259	365,106	17,100	2,002,265
Electronic equipment	417,752	93,408	-	511,160
Passenger shelters	9,341	2,260	-	11,601
Furniture & fixtures	76,488	77,824	-	154,312
Service equipment	391,806	123,400	-	515,206
Service vehicle	6,273	5,517	-	11,790
Total accumulated depreciation	<u>2,890,615</u>	<u>809,435</u>	<u>17,100</u>	<u>3,682,950</u>
Other capital assets, net	<u>3,209,601</u>	<u>(297,664)</u>	<u>6,130</u>	<u>2,905,807</u>
Total capital assets, net	<u>5,736,528</u>	<u>1,336,694</u>	<u>6,130</u>	<u>7,067,092</u>

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**Note 5. Revenue Anticipation Notes**

The Authority is subsidized by the Commonwealth for its annual “Net Cost of Service” as defined in the legislation. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

During the year ended June 30, 2014, the following changes occurred in the Authority’s revenue anticipation notes (RANS):

Beginning balance	\$ 8,450,000
New notes issued	6,450,000
Notes retired	<u>(8,450,000)</u>
Ending balance	<u>\$ 6,450,000</u>

The RAN outstanding was issued in September of 2013. It carries an interest rate of 0.75% and is due September 26, 2014. The Authority uses the proceeds of these notes to fund its mass transit operations.

**Note 6. Retirement Plan**

**A. Plan Description**

Effective September 25, 2008 the Authority established a contributory retirement system for its employees pursuant to Section 28 (4) of Chapter 32 of the General Laws. The Authority has become a member of the Framingham Retirement System. Contributions to the system commenced July 1, 2010.

The Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan. The Retirement System issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission, One Ashburton Place, Boston, Massachusetts 02108.

**B. Funding Policy**

Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Authority is required to pay into the Retirement System its share of the systemwide actuarially determined contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth reimburses the Retirement System for a portion of benefit payments attributed to cost-of-living increases granted prior to July 1, 1998. Chapter 32 of the MGL governs the contributions of plan members and the Authority.

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**Note 7. Risk Management**

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority has developed a comprehensive risk management program. There have been no significant reductions in coverage from the prior year and settlements have not exceeded insurance coverage for the current year.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The estimated liability for all self-insured losses incurred but not reported is not material at June 30, 2014.

Health insurance benefits for employees are provided through a health maintenance organization. The Authority's contributes 80% of the premium cost for employees. In 2014, expenditures for the Authority's share of health insurance contributions were \$47,455. The Authority purchases insurance for worker's compensation for its employees.

**Note 8. Disaggregation of Payable Balances**

The accounts payable and accrued expense balance is disaggregated as follows:

Accounts payable general vendors	\$ 651,592
Accounts payable operators	416,345
Accrued expenses	48,602
Accrued payroll expense	13,214
Accrued interest	40,699
	<u>\$ 1,170,452</u>

**Note 9. Commitments and Contingent Liabilities**

**A. Capital Investment Program**

The terms of the federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and to comply with the Equal Employment Opportunity and Affirmative Action programs required by MAP-21. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Transit Administration (FTA). In management's opinion, no events have occurred that would result in the termination of the grants or require the refund of a significant amount of funds received under these grants.

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**Note 10. Net Assets – Investments in Capital Assets**

This balance is represented by the amount invested in capital assets net of related debt. It is comprised of the following:

Cost of Capital Assets Acquired	\$ 10,750,042
Less: Accumulated Depreciation	3,682,950
Less: Outstanding Debt Related to Capital Assets	-
Investments in Capital Assets	<u>\$ 7,067,092</u>

**Note 11. Transit Service**

The operation of the Authority’s fixed route service and maintenance of some of the Authority’s transportation property are performed by First Transit, Inc. (First Transit), a national transportation management and operating company, under the terms of an agreement whereby First Transit operates mass transit along such routes and according to such a schedule as defined by the Authority. In return, the Authority agreed to pay First Transit an hourly rate in FY 2010 and FY 2011 for all costs associated with providing revenue service during specific hours (less fuel and insurance) including maintenance, preventative maintenance, parts, and tires. The three year agreement with two option years expired on June 30, 2012. The service was put out to bid at the Authority’s option. A new contract was awarded to First Transit for the three year period ending June 30, 2014. The contract now consists of an hourly rate for service and a separate management fee.

The Authority also had a two year contract with the Massachusetts Bay Transportation Authority (MBTA) to provide ADA paratransit origin to destination service for the communities of Natick and Framingham which mirrored service previously provided by Joint Venture, Inc., and paid for by the MBTA. This service was known as THE RIDE. The contract ran through June 30, 2009. Effective July 1, 2009 that service is currently provided by Thompson Transit, Inc and paid for by the MWRTA under a contract that terminates on June 30, 2012. The contract was extended through June 30, 2014 with an Authority option for another year. The Contractor will be paid at the agreed upon per trip and vehicle service hour rates subject to annual incremental increases of 2%.

The Authority also has a contract with Busy Bee Transportation to provide both ADA paratransit and demand response service in towns other than Natick and Framingham, through June 30, 2014 with an option for an additional year. Additionally the Authority contracts with several member community Councils on Aging to provide for ADA, elderly, handicapped, and journeys to work.

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**Note 12. Local Share Assessment**

The following table shows the local share that has been assessed upon each member municipality by the Commonwealth for fiscal year 2013, the amount audited for fiscal 2014 and the amount budgeted for fiscal 2015.

	Fiscal 2013 Assessment	Fiscal 2014 Audited	Fiscal 2015 Budgeted
Ashland	\$ 37,553	39,263	39,452
* Dover	-	-	-
Framingham	1,037,403	1,074,151	1,079,322
Holliston	44,847	46,889	47,115
Hopkinton	10,575	11,057	11,110
* Hudson	-	-	-
Marlborough	252,203	263,688	264,958
Natick	485,405	507,511	509,954
Sherborn	-	-	-
Southborough	54,285	56,757	57,030
Sudbury	25,941	27,122	27,253
Wayland	20,287	21,211	21,313
** Wellesley	-	-	-
* Weston	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assessment	\$ 1,968,499	2,047,649	2,057,507

\* No service was provided in Dover, Hudson, or Weston in fiscal 2013 or 2014.

\*\* Service was provided to Wellesley but no local assessment was charged in 2014.

**Note 13. Executive Compensation**

Administration and Finance regulations, 801 CMR 53.00, on Executive Compensation require that the Authority disclose in the annual financial statements the "salaries and other compensation of its executive director, officers, board members and other highly compensated employees". Compensation is defined in the regulation, 801 CMR 53.04 (1) to include "base salary, bonuses, severance, retirement or deferred compensation packages and policies relative to the accrual and payment of sick and vacation time, including payouts for unused sick and vacation time". The administrator is the only individual for whom disclosure is required. Based on the above definition of compensation the administrator received \$118,367 during the fiscal year.

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**Note 14. Subsequent Events**

The Authority has evaluated events subsequent to June 30, 2014 through September 25, 2014, the date on which the financial statements were available to for issuance, and determined that there are no material items that would require recognition or disclosure in the Authority's financial statements.

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Budgetary Comparison Schedule

For the Year Ended June 30, 2014

<u>Expense Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Variance (Over)/Under</u>
Administration				
Personnel	\$ 418,244	479,193	520,952	(41,759)
Professional Services	151,174	148,081	181,047	(32,966)
Operations Center	215,831	297,610	285,754	11,856
Office and Travel	19,418	33,280	158,441	(125,161)
Debt Service - Interest	77,045	49,363	35,046	14,317
Transportation				
Fixed Route	3,424,708	3,331,835	3,109,442	222,393
Special Services	<u>2,777,099</u>	<u>2,615,640</u>	<u>2,778,860</u>	<u>(163,220)</u>
Total Expenses	<u>\$ 7,083,519</u>	<u>\$ 6,955,002</u>	<u>7,069,542</u>	<u>(114,540)</u>

*See accompanying independent auditors' report*

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Schedule of Net Cost of Service

For the Year Ended June 30, 2014

<u>OPERATING COSTS</u>	
MWRTA administrative costs	\$ 860,440
Purchased services	
Fixed route	3,109,442
Demand responsive	2,778,860
Operations center	285,754
Debt service - interest	35,046
Total operating costs	<u>7,069,542</u>
<u>FEDERAL OPERATING ASSISTANCE</u>	
FTA operating and administrative	1,929,781
Other federal	-
Total federal assistance	<u>1,929,781</u>
<u>REVENUES</u>	
Operating	
Farebox revenue	594,484
Other Revenue	
Interest income	1,131
Miscellaneous	181,332
Total other revenue	<u>182,463</u>
<u>NET OPERATING DEFICIT</u>	4,362,814
<u>ADJUSTMENTS</u>	
Extraordinary expenses	-
<u>NET COST OF SERVICE</u>	4,362,814
<u>NET COST OF SERVICE FUNDING</u>	
Local assessments	2,047,649
State contract assistance to be funded	2,315,165
Less: State contract assistance received	2,315,165
Balance requested from the State	-
<u>UNREIMBURSED DEFICIT</u>	-

*See accompanying independent auditors' report*