

**METROWEST REGIONAL
TRANSIT AUTHORITY**

(A Component Unit of the Massachusetts Department of Transportation)

**FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2015

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

Year Ended June 30, 2015

Table of Contents

	Page
Management’s Discussion and Analysis – Required Supplementary Information	1-6
Independent Auditor’s Report	7-8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12-25
Required Supplementary Information:	
Schedule of Authority’s Proportionate Share of the Net Pension Liability	26
Schedule of Pension Liability	27
Supplementary Information:	
Budgetary Comparison Schedule	28
Schedule of Net Cost of Service	29
Schedule of Local Assessments	30

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

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

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, 2015. 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 25 of the report.

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

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

Condensed Financial Information

Condensed financial information as of and for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 3,756,511	\$ 5,032,923
Restricted and noncurrent assets	3,699,014	2,587,529
Capital assets, net	<u>12,889,098</u>	<u>7,067,092</u>
Total assets	<u>20,344,623</u>	<u>14,687,544</u>
Current liabilities	657,017	939,970
Restricted and noncurrent liabilities	7,540,044	6,680,482
Long term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>8,197,061</u>	<u>7,620,452</u>
Net position:		
Invested in capital assets, net of related debt	12,889,098	7,067,092
Unrestricted	<u>(741,536)</u>	<u>-</u>
Total net position	<u>\$ 12,147,562</u>	<u>\$ 7,067,092</u>
Operating revenue		
Revenue from transportation	\$ 599,674	\$ 594,484
Other	<u>171,158</u>	<u>181,333</u>
Total operating revenues	<u>770,832</u>	<u>775,817</u>
Operating expenses:		
Transportation services	6,357,881	5,888,302
Other operating expenses	<u>943,705</u>	<u>1,146,195</u>
Total operating expenses, excluding depreciation	7,301,586	7,034,497
Depreciation and amortization	<u>778,798</u>	<u>809,435</u>
Total operating expenses, including depreciation	<u>8,080,384</u>	<u>7,843,932</u>
Operating loss	<u>(7,309,552)</u>	<u>(7,068,115)</u>
Net nonoperating revenue	<u>6,551,522</u>	<u>6,258,680</u>
Loss before capital grants	(758,030)	(809,435)
Capital grants and contributions	<u>6,600,804</u>	<u>4,382,184</u>
Change in net position	5,842,774	3,572,749
Net position:		
Beginning of year		
As previously reported	7,067,092	3,494,343
Prior period adjustment	<u>(762,304)</u>	<u>-</u>
As restated	<u>6,304,788</u>	<u>3,494,343</u>
End of year net position	<u>\$ 12,147,562</u>	<u>\$ 7,067,092</u>

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

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

Financial Highlights

The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by \$12,147,562. The Authority's total net position increased by \$5,842,774 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 increased \$5,190, or 0.87%, due to an increase in ridership during the year.
- Total operating expenses, excluding depreciation, increased by \$267,089, or 3.80%.
- 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, 2015 amounted to \$12,889,098 (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:

Land	\$ 65,321
Building & Improvements	6,142,196
Service equipment	295,315
Transit equipment	26,461
Service vehicle	71,511
	<u>\$ 6,600,804</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, the same as the prior year.

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

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

Economic Factors and Next Year's Budgets

Funding the Authority's net cost of service consists of non-capital expenses less all non-capital revenues, except member municipality assessments and contract assistance from the Commonwealth of Massachusetts. The net cost of service is funded through assessments to member municipalities, which may increase by no more than 2.5% annually plus the members' share of any new services. In Fiscal 2015, the State has continued its funding policy to provide State Contract Assistance currently as opposed to reimbursing as in prior years.

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 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 ½% 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 ½% 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.

The MWRTA has significantly built out the 15 Blandin Avenue facility it purchased from the South Middlesex Opportunity Council (SMOC). The \$7.3 million CMAQ grant from the Commonwealth covered the purchase (\$2.3 million) and the build out construction of approximately \$5 million. The Authority also used a 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. Because the project received additional state and federal funding the budget increased by approximately 2.5 million and the timeline extended to late June when a certificate of occupancy was issued. Although there are several small finish projects to do in the facility, it is now operational for the Authority's demand response business. Additionally, the Authority has collaborated with both the MetroWest Collaborative (MAPC) and the MetroWest Visitor's Bureau by offering them office space for in-kind services.

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. Separate RFPs for construction and operations will be advertised in the fall, with construction to start in spring of 2016.

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

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

The Authority is transitioning its administrative operations from 37 Waverly Street to 15 Blandin Ave. and preparing to move the fixed route maintenance and operations by July 2016 as it seeks a new fixed route contract. The Authority has entered into a 3 year demand response contract with Kiessling Transit, Inc. For its demand response, dial-a-ride, and ADA service. The goal for next fiscal year will be to consolidate both 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.

The MWRTA has replaced half of the fixed route fleet with 13 new Type “D” 25’ Eldorado gas vehicles, obtained from the Mobility Assistance Program. This year the Authority will add 5 new Type “D” to the fleet. 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 surplus. 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 PVRTA’s service area, as well as MWRTA’s , a local DPW, SMOC, Employment Options and the Massachusetts Correctional Institution.

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. The Authority is expecting to replace the sedan fleet with MV-1s, specially designed for accessibility.

Last year, 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. The Authority successfully trained 50 applicants for their CDL license. Each license has a value to the owner of \$3,000 (actual cost if individually pursued), so that the return on the \$100k investment to the citizenry is \$150K. This year, the Authority has been given \$150k in the state budget to continue and grow the program.

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 the 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.

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

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

Last year, as part of its mobility management plan, the Authority began its implementation of “centralized reservations” with the COA’s of member communities. Sudbury and Holliston’s COA are fully integrated and, at this writing, Natick’s COA is in the initial implementation stage. SMOC and Employment Options are in the contractual stages. “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.

Last year, the Central Transportation Planning Staff, as part of MWRTA’s comprehensive service analysis, provided 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 had received a license from the MBTA to bring its buses into the commuter rail parking lot, with some minor modifications. MWRTA moved its current “hub” from Concord and Howard Streets into the location, as part of a comprehensive downtown streetscape project. This year , the Authority will be working with MassDOT and the MBTA to pilot a maintenance program at the Framingham Commuter Rail Station which will also include oversight of the parking facilities. Additionally MWRTA will be working with them to create an intermodal connection between the Station and the Blandin facility with the development of a “rail with trail” element of the northern most section of the Framingham Secondary line.

Continuing on last year’s extensive outreach in the environmental justice community the MWRTA is collaborating with the Framingham Downtown Renaissance Committee to promote the Farm Pond October Fest event where the Authority will be able to do extensive travel training.

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.

ROLAND P. LAMBALOT, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

184 PLEASANT VALLEY ST.

METHUEN, MA 01844

TELEPHONE (978) 691-0050

FAX (978) 691-0066

INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the
Metrowest Regional Transit Authority

We have audited the accompanying financial statements of the Metrowest Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, which comprise the statement of net financial position as of and for the year ended June 30, 2015, and the related statement of 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.

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 net position of the Metrowest Regional Transit Authority as of June 30, 2015 and the respective changes in its net position and its changes in 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 on pages 1 through 6 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 pages 28 through 30 are presented for purposes of additional analysis and are 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 December 10, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Roland P. Lambalot, PC

Methuen, Massachusetts
December 10, 2015

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

Statement of Net Position

June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 490,167
Federal operating assistance receivable	1,100,000
Local assessments receivable	2,047,649
Other receivables	39,565
Deferred outflow of resources	944
Deferred costs	78,186
	<u>3,756,511</u>

Restricted and noncurrent assets:

Local assessments receivable	2,523,788
Deferred outflow of resources	2,832
Capital assistance receivables	1,172,394
Capital assets, net	12,889,098
	<u>16,588,112</u>

Total noncurrent assets

Total Assets

\$ 20,344,623

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 596,431
Accrued payroll	22,736
Accrued interest payable	37,850
	<u>657,017</u>

Total current liabilities

Restricted and noncurrent liabilities:

Accounts payable	344,732
Net pension liability	745,312
Revenue anticipation notes	6,450,000
	<u>7,540,044</u>

Total restricted and noncurrent liabilities

Total Liabilities

\$ 8,197,061

Net Position

Invested in capital assets, net of related debt	\$ 12,889,098
Restricted	-
Unrestricted	(741,536)
	<u>\$ 12,147,562</u>

Total Net Position

See accompanying notes to the financial statements

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, 2015

Operating Revenues:	
Passenger fares	\$ 599,674
Other Income	171,158
	770,832
Total operating revenues	770,832
Operating Expenses:	
Transit service	5,120,464
Call center operations	266,551
Maintenance	970,866
General Administration	943,705
	7,301,586
Depreciation	778,798
	8,080,384
Total operating expenses	8,080,384
Operating loss	(7,309,552)
Non-operating revenues (expense)	
Operating Assistance grants	
Federal operating assistance	1,568,697
Commonwealth of Massachusetts contract assistance	2,649,364
Local Assessments	2,359,751
Interest income	1,200
Interest expense	(27,490)
	6,551,522
Total non-operating revenues	6,551,522
Loss before capital grants	(758,030)
Capital grants and contributions	6,600,804
Change in net position	5,842,774
Net position	
Beginning of year, as reported	7,067,092
Prior period adjustment - implementation of GASB 68	(762,304)
	6,304,788
Beginning of year, as restated	6,304,788
End of year	\$ 12,147,562

See accompanying notes to the financial statements

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

Statement of Cash Flows

Year ended June 30, 2015

Cash flows from operating activities:	
Passenger fares	\$ 599,674
Other cash receipts	171,158
Payments to operators	(6,377,114)
Payments to other vendors	(354,464)
Payments to employees for services	(629,778)
Net cash used in operating activities	<u>(6,590,524)</u>
Cash flows from non-capital financing activities:	
Proceeds from sale of revenue anticipation notes	6,450,000
Principal paid on revenue anticipation notes	(6,450,000)
Interest paid on revenue anticipation notes	(30,295)
Operating and contract assistance	6,696,341
Net cash provided by non-capital financing activities	<u>6,666,046</u>
Cash flows from financing activities:	
Capital grants	5,752,240
Purchase of capital assets	(6,600,804)
Net cash used by capital and related financing activities	<u>(848,564)</u>
Cash flows from investing activities:	
Interest income	1,200
Net cash provided by investing activities	<u>1,200</u>
Net change in cash and cash equivalents	(771,842)
Cash and cash equivalents, beginning of year	<u>1,262,009</u>
Cash and cash equivalents, end of year	<u>\$ 490,167</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (7,309,552)
Adjustments:	
Depreciation	778,798
Changes in assets and liabilities	
Local assessment and other receivables	118,529
Deferred costs	10,489
Accounts payable	(188,788)
Net cash used in operating activities	<u>\$ (6,590,524)</u>

See accompanying notes to the financial statements

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

Notes to Financial Statements

June 30, 2015

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
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2015

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
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2015

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. Available Unrestricted Resources

The Authority's policy is to utilize available unrestricted resources prior to restricted resources.

K. Statement of Net Position

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:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed of the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position 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 position which does not meet the definition of the two preceding categories.

L. Restricted Assets and Restricted Liabilities

Restricted assets are restricted for the acquisition of capital assets and the reserve for extraordinary expense. Restricted liabilities are amounts payable from the restricted assets.

M. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

N. New Accounting Pronouncements

In June, 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

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

Notes to Financial Statements

June 30, 2015

The Authority implemented this statement in fiscal year 2015. The adoption of this standard had the following effects on the Authority's financial statements:

- a) The recording of the net pension liability (unfunded pension plan obligation)
- b) An actuarially determined pension expense and deferred outflows of resources
- c) Significant new note disclosures, and new required supplementary information data

In November, 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Authority implemented this statement during fiscal year 2015. The adoption of this standard did not have a material impact on the Authority's financial statements.

In January, 2013, the GASB issued GASB No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Authority implemented this statement during fiscal year 2015. The adoption of this standard did not have a material impact on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2015 and are applicable to the Authority. The Authority has not yet adopted these statements, and the implication on the Authority's fiscal practices and financial reports is being evaluated.

Statement No.	Adoption Required in Fiscal Year	
72	<i>Fair Value Measurement and Application</i>	2016
73	<i>Accounting and Financial Reporting for Pensions and Financial Reporting for Pension Plans That Are Not Administered through Trusts that Meet Specified Criteria</i>	2016
74	<i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	2017
75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans</i>	2018
76	<i>The Hierachy of Generally Accepted Accounting Principles for State and Local Governments</i>	2016
77	<i>Tax Abatement Disclosures</i>	2017

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

Notes to Financial Statements

June 30, 2015

O. Pensions

For purposes of measuring the Authority's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Framingham Retirement System (FRS) and additions to/deductions from the FRS's fiduciary position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Deferred Outflows/Inflows of Resources

The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. For fiscal 2015, the Authority has reported deferred outflows that are related to its pension plan.

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, 2015 \$1,042,579 of the government's bank balance of \$1,306,323 was exposed to custodial credit risk as uninsured and uncollateralized. The fair value of the MMDT investment was \$3,750 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.

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

Notes to Financial Statements

June 30, 2015

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 2015 was \$2,649,364.

Note 4. Capital Assets

The following is a summary of changes in Capital Assets at June 30, 2015:

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated				
Land	\$ 284,742	66,321	-	351,063
Construction in progress	<u>3,876,543</u>	<u>6,142,196</u>	<u>-</u>	<u>10,018,739</u>
Total capital assets not being depreciated	<u>4,161,285</u>	<u>6,208,517</u>	<u>-</u>	<u>10,369,802</u>
Other capital assets:				
Buildings and improvements	1,744,505	-	-	1,744,505
Transit equipment	2,761,983	26,461	150,062	2,638,382
Electronic equipment	751,451	-	-	751,451
Passenger shelters	28,115	-	-	28,115
Furniture & fixtures	543,077	-	-	543,077
Service equipment	720,035	297,267	58,569	958,733
Service vehicle	<u>39,591</u>	<u>73,811</u>	<u>6,000</u>	<u>107,402</u>
Total other capital assets at historical cost	<u>6,588,757</u>	<u>397,539</u>	<u>214,631</u>	<u>6,771,665</u>
Less accumulated depreciation for:				
Buildings and improvements	476,616	142,019	-	618,635
Transit equipment	2,002,265	307,321	150,062	2,159,524
Electronic equipment	511,160	100,848	-	612,008
Passenger shelters	11,601	3,157	-	14,758
Furniture & fixtures	154,312	101,272	-	255,584
Service equipment	515,206	115,064	56,617	573,653
Service vehicle	<u>11,790</u>	<u>9,117</u>	<u>3,700</u>	<u>17,207</u>
Total accumulated depreciation	<u>3,682,950</u>	<u>778,798</u>	<u>210,379</u>	<u>4,251,369</u>
Other capital assets, net	<u>2,905,807</u>	<u>(381,259)</u>	<u>4,252</u>	<u>2,520,296</u>
Total capital assets, net	<u>7,067,092</u>	<u>5,827,258</u>	<u>4,252</u>	<u>12,890,098</u>

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

Notes to Financial Statements

June 30, 2015

Note 5. Revenue Anticipation Notes

During the year ended June 30, 2015, the following changes occurred in the Authority's revenue anticipation notes (RANS):

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

The RANS outstanding were issued in September of 2014. They carry interest rates of 0.60% and 1.00% and are due September 25, 2015. The Authority uses the proceeds of these notes to fund its mass transit operations. The RANS are considered short term debt that is expected to be refinanced and is included in the accompanying Statement of Net Position as a noncurrent liability.

Note 6. Retirement Plan

General Information about the Pension 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 plan is a cost-sharing, multiple-employer, defined benefit pension plan.

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. Benefits Provided

The plan covers all eligible employees and provides retirement, disability, cost of living adjustments and death benefits to all plan members and beneficiaries. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate or regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

Notes to Financial Statements

June 30, 2015

C. 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. The Authority's contribution to the Retirement System for the year ended June 30, 2015 was \$99,312, which equaled its required contribution for the year.

Pension Liabilities, Pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Authority reported a liability of \$745,312 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Update procedures were used to roll forward the total pension liability to December 31, 2014. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Authority's proportion of net pension liability was 0.500 percent.

Since FRS performs an actuarial valuation bi-annually, there are no reported amounts for changes in benefit terms differences between expected and actual experience and changes in assumptions as of December 31, 2014.

In the FRS Financial Statements for the year ended December 31, 2014, in addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period (s) and so will not be recognized as an outflow of resources (deduction) until then.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to future period (s) and so will not be recognized as an inflow of resources (addition) until that time. The FRS did not have any items that qualify for reporting in this category.

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

Notes to Financial Statements

June 30, 2015

For the year ended June 30, 2015, the Authority recognized pension expense of \$78,544. At June 30, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ <u>3,776</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 944
2017	944
2018	944
2019	944

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

Notes to Financial Statements

June 30, 2015

A. Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation and the related update to December 31, 2014 (the measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Individual entry age normal cost method
Amortization method	Total appropriations increase 5.0% per year to FY29 with a final amortization payment in FY 30.
Asset valuation method	Market value for GASB 67/68. For funding purposes, investment gains and losses each year are recognized over five years.
Remaining amortization period	15 years from July 1, 2015
Inflation	Not explicitly assumed
Salary increases	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Investment rate of return	7.75% net of pension plan investment expense, including inflation
Cost of living adjustments	3.0% of first \$12,000
Mortality rates:	
Pre-retirement	The RP-2000 Employees table projected 22 years with Scale AA (gender distinct)
Post-retirement	The RP-2000 Healthy Annuitant table projected 17 years with Scale AA (gender distinct) For disabled retirees, this table is set forward 3 years for males

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period of January 1, 2012 to January 1, 2014.

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

Notes to Financial Statements

June 30, 2015

The long term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	18.00%	7.90%
International equity	22.00%	8.90%
Fixed income	19.00%	5.90%
Private equity	10.00%	9.80%
Real estate	10.00%	6.50%
Timber, natural resources	4.00%	6.90%
Hedge funds	9.00%	7.00%
Private debt	4.00%	8.30%
Portfolio completion strategies	4.00%	N/A
Total	100.00%	

B. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to Financial Statements

June 30, 2015

C. Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	6.75%	7.75%	8.75%
Authority's proportionate share of the net pension liability	\$ 1,050,920	\$ 745,312	\$ 481,584

D. Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued FRS financial report.

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, 2015.

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 \$49,331. The Authority purchases insurance for worker’s compensation for its employees.

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

Notes to Financial Statements

June 30, 2015

Note 8. 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.

Note 9. 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	\$ 17,140,467
Less: Accumulated Depreciation	4,151,369
Less: Outstanding Debt Related to Capital Assets	-
Investments in Capital Assets	<u>\$ 12,989,098</u>

Note 10. 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., an international 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, agreed to pay First Transit an hourly rate in FY2010 and FY 2011 for all costs associated with providing revenue service during specific hours (less fuel and insurance) including maintenance, preventive maintenance, parts, and tires (consumables). Three years later, a new contract was awarded to First Transit, after a competitive bid process, on July 1, 2012 (FY2013). The new contract consisted of an hourly rate plus a management fee. The Authority exercised a one year option on the contract that expired on June 30, 2015 and is currently in the process of requesting proposals for a fixed route provider, beginning July 1, 2016 (FY 2017). The new contract will also be hourly, for providing specific revenue fixed route hours (less fuel, insurance, and maintenance). It will be for three years with (2) one year options.

The Authority has ended contracts it had with both Thompson Transit, Inc. and Busy Bee, Inc. to provide ADA complementary paratransit and dial-a-ride demand response service respectively at various trip rates. Both contracts expired June 30, 2015. The Authority has contracted with Kiessling Transportation, Inc., (KTI) to provide both services at an hourly rate. Additionally, the Authority continues to contract with several member community Councils on Aging, as well as two non-profit agencies to provide service for ADA, elderly, disabled, and journeys to work. MWRTA is in the process of contracting with Montachusett Area Regional Transit (MART) to integrate Human Service Transportation (HST) trips into its service with the intention of enhancing ridesharing while enhancing revenue.

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

Notes to Financial Statements

June 30, 2015

For several years, the Authority has been working with Framingham State University to develop an on campus transportation system by providing rolling stock, training, and collaborative management oversight. It will continue to develop and enhance this project while looking to expand its opportunities with MassBay Community College.

Note 11. 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 \$124,189 during the fiscal year.

Note 12. Related Party

The Authority is deemed to be a related part of the Commonwealth of Massachusetts and the Massachusetts Department of Transportation due to its status as a component unit. Related party transactions consisted of Operating Assistance of \$2,649,364; State Capital Assistance of \$826,147; Federal pass-through funds of \$568,697; and Local Assessments of \$2,359,751 to be paid to the Authority by the Commonwealth. Related party receivables consist of \$4,571,437 in operating assistance to be billed to the Communities constituting the Authority; 649,557 of State Capital Assistance; and \$522,837 of federal pass-through funds.

Note 13. Unrestricted Net Position

The balance in the Unrestricted Net Position on the Statement of Net Position primarily reflects the effect of the presentation of the net pension liability required by GASB 68 that is listed as a noncurrent liability. This requirement was effective with the fiscal year ended June 30, 2015.

Note 14. Subsequent Events

The Authority has evaluated events subsequent to June 30, 2015 through December 10, 2015, 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.

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

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	<u>2015</u>
Authority's proportion of the net pension liability	0.80%
Authority's proportionate share of the net pension liability	\$ 745,312
Authority's covered-employee payroll	\$ 446,128
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	167.1%
Plan fiduciary net position as a percentage of the total pension liability	73.6%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2014.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Changes Information

Since the Lawrence Retirement System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

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

Required Supplementary Information

Schedule of Pension Contributions

For the Year Ended June 30, 2015

	<u>2015</u>
Actuarially required contribution	\$ 99,312
Contributions in relation to the actuarially required contribution	<u>(99,312)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 446,128
Contributions as a percentage of its covered-employee payroll	22.3%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

Contributions

The Authority is required to pay an annual appropriation as established by the Massachusetts Contributory Retirement System. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with adopted early retirement incentive programs.

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

Budgetary Comparison Schedule

For the Year Ended June 30, 2015

<u>Expense Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Variance (Over)/Under</u>
Administration				
Personnel	\$ 532,186	562,255	611,764	(49,509)
Professional Services	142,284	150,760	194,136	(43,376)
Operations Center	294,315	293,353	285,212	8,141
Office and Travel	33,779	26,300	177,375	(151,075)
Debt Service - Interest	50,104	40,464	27,490	12,974
Transportation				
Fixed Route	3,381,507	3,607,819	3,404,425	203,394
Special Services	<u>2,654,875</u>	<u>2,604,540</u>	<u>2,649,442</u>	<u>(44,902)</u>
Total Expenses	<u>\$ 7,089,050</u>	<u>7,285,491</u>	<u>7,349,844</u>	<u>(64,353)</u>

See accompanying independent auditors' report

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

Schedule of Net Cost of Service

For the Year Ended June 30, 2015

OPERATING COSTS

MWRTA administrative costs	\$ 983,275
Purchased services	
Fixed route	3,404,425
Demand responsive	2,649,442
Operations center	285,212
Debt service - interest	27,490
Total operating costs	7,349,844

FEDERAL OPERATING ASSISTANCE

FTA operating and administrative	1,568,697
Other federal	-
Total federal assistance	1,568,697

REVENUES

Operating	
Farebox revenue	599,674
Other Revenue	
Interest income	1,200
Miscellaneous	171,158
Total other revenue	172,358

NET OPERATING DEFICIT 5,009,115

ADJUSTMENTS

Extraordinary expenses	-
------------------------	---

NET COST OF SERVICE 5,009,115

NET COST OF SERVICE FUNDING

Local assessments	2,359,751
State contract assistance to be funded	2,649,364
Less: State contract assistance received	2,649,364
Balance requested from the State	-

UNREIMBURSED DEFICIT -

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

Schedule of Local Assessments

For the Year Ended June 30, 2015

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

	Fiscal 2014 Assessment	Fiscal 2015 Audited
Ashland	\$ 39,263	60,245
* Dover	-	-
Framingham	1,074,151	1,175,613
Holliston	46,889	58,094
Hopkinton	11,057	16,301
* Hudson	-	-
Marlborough	263,688	356,086
Milford	-	-
Natick	507,511	555,449
Sherborn	-	-
Southborough	56,757	66,176
Sudbury	27,122	39,555
Wayland	21,211	32,232
** Wellesley	-	-
* Weston	-	-
	\$ 2,047,649	2,359,751
Totals	\$ 2,047,649	2,359,751

* No service was provided in Dover, Hudson, or Weston in fiscal 2014 and 2015.

** Service was provided in Wellesley but no local assessment was charged in 2014 and 2015.