

**METROWEST REGIONAL
TRANSIT AUTHORITY**

(A Component Unit of the Massachusetts Department of Transportation)

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION, AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

Year Ended June 30, 2017

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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 – 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, 2017. 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, 15 Blandin Avenue, 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 26 of the report.

METROWEST REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis – Unaudited

Condensed Financial Information

Condensed financial information as of and for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 6,123,893	\$ 4,891,643
Restricted, noncurrent assets, Deferred outflows	7,233,315	3,571,196
Capital assets, net	20,184,301	15,566,135
Total assets and deferred outflows	<u>33,541,509</u>	<u>24,028,974</u>
Current liabilities	2,232,598	1,512,329
Restricted and noncurrent liabilities	10,293,663	6,825,903
Long term liabilities	1,785,280	885,625
Total liabilities	<u>14,311,541</u>	<u>9,223,857</u>
Net position:		
Invested in capital assets, net of related debt	20,184,301	15,566,135
Unrestricted	(954,333)	(761,018)
Total net position	<u>\$ 19,229,968</u>	<u>\$ 14,805,117</u>
Operating revenue		
Revenue from transportation	\$ 622,656	\$ 582,951
Other	437,697	234,546
Total operating revenues	<u>1,060,353</u>	<u>817,497</u>
Operating expenses:		
Transportation services	7,665,880	7,033,199
Other operating expenses	2,144,274	1,502,345
Total operating expenses, excluding depreciation	<u>9,810,154</u>	<u>8,535,544</u>
Depreciation and amortization	793,612	900,717
Total operating expenses, including depreciation	<u>10,603,766</u>	<u>9,436,261</u>
Operating loss	<u>(9,543,413)</u>	<u>(8,618,764)</u>
Net nonoperating revenue	<u>8,556,486</u>	<u>7,698,565</u>
Loss before capital grants	(986,927)	(920,199)
Capital grants and contributions	5,411,778	3,577,754
Change in net position	4,424,851	2,657,555
Net position:		
Beginning of year	<u>14,805,117</u>	<u>12,147,562</u>
End of year net position	<u>\$ 19,229,968</u>	<u>\$ 14,805,117</u>

METROWEST REGIONAL TRANSIT AUTHORITY
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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 \$19,423,283. The Authorities total net position increased by \$4,618,166 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 \$39,704, or 6.81%, due to a slight increase in ridership during the year.
- Total operating expenses, excluding depreciation, increased by \$1,274,610, or 14.93.
- 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 decreased. State operating assistance and state capital assistance increased.
-

Capital Assets and Debt

The Authority's capital assets as of June 30, 2017 amounted to \$20,184,301 (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	\$ 328,169
Building & Improvements	4,496,797
Service equipment	133,293
Transit equipment	424,148
Furniture & Fixtures	29,371
	<u>\$ 5,411,778</u>

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

At year-end, the Authority had \$8,000,000 of notes outstanding, an increase of \$1,550,000 over the prior year.

METROWEST REGIONAL TRANSIT AUTHORITY
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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 2016, 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 goal for the past fiscal year was to consolidate both its fixed route and demand response 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. This goal was successfully met, and has continued to expand, allowing the MWRTA to underwrite some of its own maintenance expenses through collaboration with other non-profit agencies.

In preparation for our planned conversion of the fleet to CNG the MWRTA had already fitted out the maintenance facility to comply with code and strict regulations to perform maintenance on CNG type vehicles. The Authority still has a commitment from several surrounding municipalities to purchase CNG, as they begin to convert their fleets. Additionally, MassDOT Highway District #3 has expressed interest in using the facility as a satellite fueling station. Additionally, the CNG facility has been fully constructed and is now awaiting the power source to be provided by Eversource in conjunction with Verizon.

The MWRTA has replaced 2 Type "D" 25' Eldorado gas vehicles with Elkhart vehicles, obtained from the Mobility Assistance Program. They are, and will be, repurposed or surplus. The fixed route fleet has grown to 27 vehicles, giving us a 7% spare ratio. Our plan is to replace and expand the fleet, over the next two to three years, with 5 new type "D" CNG vehicles per year. Some of the repurposing of the older vehicles include: use for Commercial Driver's License (CDL) training program, donation to COAs, as well as other RTA's, a local DPW, SMOC, Employment Options, Salvation Army, and the Massachusetts National Lancers Institution.

METROWEST REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis – Unaudited

The MWRTA will be distributing 8 type “E” vehicles and 8 MV-1 accessible vehicles into its ADA demand response fleet this year as well. The Authority needs to make plans to expand the demand response fleet as we look forward to taking over the MBTA’s provision of RIDE service in Wellesley, and Dover. The Authority will be looking for help from the MBTA both with operating funds. The Authority has fully replaced the sedan fleet with MV-1s, specially designed for accessibility.

Last year, MWRTA ended its program for 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 new Blandin facility. Although the Authority successfully trained many applicants for their CDL license, with each license having 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, it was unsuccessful, again, in securing an earmark to continue funding the program. The MWRTA also attempted to sustain the program by filing legislation to become a CDL Class B, driving school where it would be allowed to charge Class B students in order to keep the Class C program free of charge. The legislation was vetoed by the Administration as “unfair competition to private driving schools”. In FY18, the Authority hopes to partner with SMOC to rejuvenate the CDL Program.

Framingham State University continues to collaborate with MWRTA in the provision of transportation services to the students and faculty for the sixth consecutive year. 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 is developing robust technology integration with FSU Transit allowing for a more efficient use of resources to meet their demands. A spike in ridership is an indication of the success of the program. The Authority is working very closely with MassBay Community College to promote an inter-collegiate transit system between its Wellesley and Framingham campuses as well as expanding to service to and from the green line in Riverside.

Three years ago, as part of its mobility management plan, the Authority began its implementation of “centralized reservations” with the COA’s of member communities. Sudbury, Natick, and Holliston’s COA are now fully integrated. The goals this year are to work with Wellesley and Dover COAs. SMOC and Employment Options are also 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. The Authority looks forward to incorporating the City of Framingham into its centralized reservations.

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Management's Discussion and Analysis – Unaudited

Three years ago, MWRTA created 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 bus stop from Concord and Howard Streets into the location, as part of a comprehensive downtown streetscape project. At the suggestion of the Secretary of Transportation, two years ago, the Authority worked with MassDOT, the MBTA, and Keolis to pilot a maintenance program at the Framingham Commuter Rail Station which also includes oversight of the parking facilities as well as developing additional parking spaces. Also, MWRTA has been working with them to create an intermodal connection between the Station and the Blandin facility by developing a “rail with trail” element of the northern most section of the Framingham Secondary line as well as upgrading the pedestrian access to the Commuter Rail area. Last year, the Authority began implementation of that project including the installation of a 1930 vintage caboose to be used as office space for administration and security. In FY 18, the MWRTA will complete the rebuilding of the stairs at the station as well as refurbishing the elevators. There will be a focus also on the South side of the Platform with additional amenities and cameras.

The Authority will continue to build its shuttle services in FY18 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. As mentioned above, MWRTA has created a shuttle between the MassBay Community College campuses and has begun a shuttle between the Wellesley campus and the Green Line at Riverside. The Authority has worked with the Town of Hudson to create their first shuttle between the Hudson COA and the Marlboro COA with a \$50K earmark for Hudson. This is the most successful shuttle, in terms of ridership growth, that the Authority has created. The Authority has committed to its continued growth.

The Administrator serves on the Board of Directors for the 495/MetroWest Corridor Partnership, Inc., the Salvation Army, and the MetroWest Center for Independent Living, giving the Authority a voice in both the economic and disabled community. Last year, the Administrator had been appointed to the MPO Special Commission and the MetroWest Suburban Edge Community Commission. 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. The future of public transportation in the Metrowest region, because it is strategically placed between the two largest cities in New England, Boston and Worcester, depends on operating growth. Because the distribution of state contract assistance has been largely based on historical methodology between established RTAs, where the communities served by the Commonwealth's RTAs are not equally assessed nor subsidized, MWRTA has struggled to grow, and will continue the need to have a significant increase in its state contract assistance to realize its potential and obtain equity among other RTAs.

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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 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, 2017, 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, 2017 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, Schedule of Authority's Proportionate Share of the Net Pension Liability and Schedule of Net Pension Liability on pages 27 and 28 are 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 29 through 31 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 November 1, 2017, 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
November 1, 2017

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

Statement of Net Position

June 30, 2017

Assets and Deferred Outflow of Resources

Current assets:

Unrestricted cash and short term investments	\$ 1,107,487
Federal operating assistance receivable	2,018,647
State contract assistance	300,000
Local assessments receivable	2,530,550
Other receivables	53,389
Prepaid expenses	113,820
Total current assets	6,123,893

Restricted and noncurrent assets:

Local assessments receivable	3,489,076
Capital assistance receivables	2,913,292
Capital assets, net	20,184,301
Total noncurrent assets	26,586,669

Total Assets	32,710,562
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Deferred outflow of resources

Deferred outflows from pension plans	830,947
Total Assets and deferred outflows of resources	\$ 33,541,509

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 723,585
Accrued payroll	64,637
Accrued interest payable	94,376
Bank line of credit	1,350,000
Total current liabilities	2,232,598

Restricted and noncurrent liabilities:

Accounts payable	2,293,663
Net pension liability	1,785,280
Revenue anticipation notes	8,000,000
Total restricted and noncurrent liabilities	12,078,943

Total Liabilities	\$ 14,311,541
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Net Position

Invested in capital assets, net of related debt	\$ 20,184,301
Restricted	-
Unrestricted	(954,333)
Total Net Position	\$ 19,229,968

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, 2017

Operating Revenues:	
Passenger fares	\$ 622,656
Other Income	437,697
	1,060,353
Operating Expenses:	
Transit service	5,841,362
Call center operations	535,898
Maintenance	1,288,620
General Administration	2,144,274
	9,810,154
Depreciation	793,612
	10,603,766
Total operating expenses	10,603,766
Operating loss	(9,543,413)
Non-operating revenues (expense)	
Operating Assistance grants	
Federal operating assistance	2,266,915
Commonwealth of Massachusetts contract assistance	3,015,598
Local Assessments	3,351,903
Interest income	1,356
Interest expense	(79,286)
	8,556,486
Total non-operating revenues	8,556,486
Loss before capital grants	(986,927)
Capital grants and contributions	5,411,778
Change in net position	4,424,851
Net Position, beginning of the year	14,805,117
Net Position, end of the year	\$ 19,229,968

See accompanying notes to the financial statements

METROWEST REGIONAL TRANSIT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2017

Cash flows from operating activities:	
Passenger fares	\$ 626,656
Other cash receipts	437,697
Payments to operators	(7,571,786)
Payments to other vendors	(418,840)
Payments to employees for services	(1,538,838)
Net cash used in operating activities	<u>(8,465,111)</u>
Cash flows from non-capital financing activities:	
Proceeds from sale of revenue anticipation notes	8,000,000
Principal paid on revenue anticipation notes	(6,450,000)
Line of credit advances	1,650,000
Line of credit repayments	(1,050,000)
Interest paid on revenue anticipation notes	(36,443)
Operating and contract assistance	6,994,755
Net cash provided by non-capital financing activities	<u>9,108,312</u>
Cash flows from financing activities:	
Capital grants	5,260,400
Purchase of capital assets	(5,411,778)
Net cash provided by capital and related financing activities	<u>(151,378)</u>
Cash flows from investing activities:	
Interest income	1,356
Net cash provided by investing activities	<u>1,356</u>
Net change in cash and cash equivalents	493,179
Cash and short term investments, beginning of year	<u>614,308</u>
Cash and short term investments, end of year	<u>\$ 1,107,487</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (9,543,413)
Adjustments:	
Depreciation	793,612
Changes in assets and liabilities	
Local assessment and other receivables	(1,677,814)
Prepaid expenses	(19,949)
Accounts payable	1,982,453
Net cash used in operating activities	<u>\$ (8,465,111)</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, 2017

Note 1. The 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, Hudson, Milford, 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.

Note 2. Summary of Significant Account Policies

A. 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.

B. 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.

C. 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.

METROWEST REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2017

D. 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.

E. 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.

F. 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.

G. 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.

H. Investments

Investments consist of short term investments in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool that is overseen by the Massachusetts State Treasurer. MMDT is recorded at its net asset value per share, or NAV, which is equal to \$1.00 per share. MMDT has no redemption restrictions.

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.

METROWEST REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2017

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. New Accounting Pronouncements

In June of 2015 the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial statements of state and local governmental OPEB plans for making decisions and assessing accountability. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In August of 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The principal objective of this Statement is to require the disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In December of 2015 the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

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In December of 2015 the GASB issued GASB No. 79, *Certain External Investments Pools and Pool Participants*. The principal objective of this statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In January of 2016 the GASB issued GASB No. 80, *Blending Requirements for Certain Component Units*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The Authority implemented this statement during fiscal year 2017. The adoption of this standard did not have a material impact on the Authority's financial statements.

In March of 2016 the GASB issued GASB No. 82, *Pension Issues*. The objective of this statement is to improve the consistency in the application of pension accounting and financial reporting addressing certain issues that have been raised with respect to Statements 67, 68, and 73. The Authority implemented this statement during fiscal year 2017. 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, 2017 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	
75	<i>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</i>	2018
81	<i>Irrevocable Split-Interest Agreements</i>	2018
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activity</i>	2020
85	<i>Omnibus 2017</i>	2018
86	<i>Certain Debt Extinguishment Issues</i>	2018
87	<i>Leases</i>	2021

N. 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.

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O. 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 2017, the Authority has reported deferred outflows that are related to its pension plan.

Note 3. Unrestricted Cash, Restricted Cash, and Short Term Investments

The following represents essential risk information about the Authority's deposits and investments.

A. Investment Policy

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").

B. Custodial Credit Risk

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, 2017, \$1,100,078 of the government's bank balance of \$1,350,078 was exposed to custodial credit risk as uninsured and uncollateralized.

C. Interest Rate Risk

As of June 30, 2017, the Authority's primary short-term investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment at June 30, 2017 was \$3,800 and its average maturity is less than one year.

D. Credit Risk

As of June 30, 2017, the Authority's investment in the state investment pool, MMDT, was not rated.

E. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Because MMDT is measured at net asset value, it is not required to be measured within the fair value hierarchy described above.

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F. Restricted Cash

Restricted cash is segregated from operating cash due to being restricted for capital asset purchases.

Note 4. Capital Assets

The following is a summary of changes in Capital Assets at June 30, 2017:

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated				
Land	\$ 2,629,694	612,911	284,742	2,957,863
Construction in progress	3,042,515	4,834,375	-	7,876,890
Total capital assets not being depreciated	<u>5,672,209</u>	<u>5,447,286</u>	<u>284,742</u>	<u>10,834,753</u>
Other capital assets:				
Buildings and improvements	9,521,059	458,505	1,434,635	8,544,929
Transit equipment	2,140,506	424,148	341,575	2,223,079
Electronic equipment	751,451	-	-	751,451
Passenger shelters	28,115	-	-	28,115
Furniture & fixtures	564,254	29,371	-	593,625
Service equipment	976,283	133,293	37,500	1,072,076
Service vehicle	188,009	-	-	188,009
Total other capital assets at historical cost	<u>14,169,677</u>	<u>1,045,317</u>	<u>1,813,710</u>	<u>13,401,284</u>
Less accumulated depreciation for:				
Buildings and improvements	1,021,516	303,360	638,552	686,324
Transit equipment	1,487,488	207,794	341,575	1,353,707
Electronic equipment	672,142	44,007	-	716,149
Passenger shelters	17,915	3,156	-	21,071
Furniture & fixtures	358,974	103,240	-	462,214
Service equipment	671,470	97,193	37,500	731,163
Service vehicle	46,246	34,862	-	81,108
Total accumulated depreciation	<u>4,275,751</u>	<u>793,612</u>	<u>1,017,627</u>	<u>4,051,736</u>
Other capital assets, net	<u>9,893,926</u>	<u>251,705</u>	<u>796,083</u>	<u>9,349,548</u>
Total capital assets, net	<u>15,566,135</u>	<u>5,698,991</u>	<u>1,080,825</u>	<u>20,184,301</u>

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Note 5. Grants

Under various sections of the Fixing America's Surface Transportation (FAST) Act, 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.

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 2017 was \$3,015,598.

Note 6. Revenue Anticipation Notes

During the year ended June 30, 2017, the following changes occurred in the Authority's revenue anticipation notes (RANS):

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

The RANS outstanding were issued in September of 2016. They carry interest rates of 1.05% (NIC 0.8745%) and 2.00% (NIC 0.924%) and are due September 22, 2017. 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 7. Bank Credit Line

The Authority has a line of credit with Eastern Bank for a revolving line of credit in the maximum amount of \$1,350,000 that is due on demand. The note contains a variable interest rate. The loan is secured by all assets of the Authority.

Note 8. 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.

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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.

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 \$191,610, 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, 2017, the Authority reported a liability of \$1,785,280 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Update procedures were used to roll forward the total pension liability to December 31, 2016. 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, 2016, the Authority's proportion of net pension liability was 1.40 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, 2016.

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In the FRS Financial Statements for the year ended December 31, 2016, 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.

For the year ended June 30, 2017, the Authority recognized pension expense of \$384,955. At June 30, 2017, 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>830,947</u>

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

Year ended June 30:	
2018	\$ 206,373
2019	206,373
2020	198,191
2021	139,097
2022	80,913

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A. Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation and the related update to December 31, 2016 (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 5.85% per year to FY30 with a final amortization payment in FY 31.
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	14 years from July 1, 2016
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	7.50% 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 generationally with Scale BB and a base year of 2009 (gender distinct).
Post-retirement	The RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with the PR-2000 Healthy Annuitant table projected generationally with scale BB and a base year of 2012 (gender distinct).

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to January 1, 2016.

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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%	7.63%
International equity	22.00%	8.72%
Fixed income	19.00%	5.07%
Private equity	10.00%	9.50%
Real estate	10.00%	6.50%
Timber, natural resources	4.00%	6.00%
Hedge funds and portfolio completion strategies	13.00%	6.48%
Private debt	4.00%	9.06%
Total	100.00%	

B. Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

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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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Discount Rate	7.50%	Discount Rate	1% Increase
Authority's proportionate share of the net pension liability	\$ 2,419,522	\$ 1,785,280			\$ 1,247,344

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 9. 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, 2017.

Health insurance benefits for employees are provided through a health maintenance organization. The Authority’s contributes 50% of the premium cost for employees. In 2017, expenditures for the Authority’s share of health insurance contributions were \$89,169. The Authority purchases insurance for worker’s compensation for its employees.

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Notes to Financial Statements

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Note 10. 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 Fixing America's Surface Transportation (FAST) Act. 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 11. 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	\$ 24,236,037
Less: Accumulated Depreciation	4,051,736
Less: Outstanding Debt Related to Capital Assets	-
Investments in Capital Assets	<u>\$ 20,184,301</u>

Note 12. Transit Service

The operation of the Authority's fixed route service and maintenance of some of the Authority's transportation property were 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, the Authority, agreed to pay First Transit an hourly rate in FY2010 and FY2011 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 again 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 that contract which expired on June 30, 2015 and completed the process of requesting proposals for a fixed route provider, beginning July 1, 2016 (FY2017). The new contract is also hourly, for providing specific revenue fixed route hours (less fuel, insurance, and maintenance). Additionally, there is no management fee. It will be for three years with (2) one year options. The successful bidder was Keissling Transportation, Inc. (KTI).

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The Authority had 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 also 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.

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 collegiate opportunities with MassBay Community College.

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 \$136,964 during the fiscal year.

Note 14. 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 \$3,015,598; State Capital Assistance of \$4,824,764; Federal pass-through funds of \$271,926; and Local Assessments of \$3,351,903 to be paid to the Authority by the Commonwealth. Related party receivables consist of \$300,000 in state operating assistance; \$6,019,626 in operating assistance to be billed to the Communities constituting the Authority; \$2,913,292 of State Capital Assistance; and \$23,658 of federal pass-through funds.

Note 15. 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. The effect as of June 30, 2017 is to reduce the unrestricted net position by \$954,333.

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Notes to Financial Statements

June 30, 2017

Note 16. Subsequent Events

The Authority has evaluated events subsequent to June 30, 2017 through November 1, 2017, 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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Required Supplementary Information (Unaudited)

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2017

	2017	2016	2015
Authority's proportion of the net pension liability	1.40%	0.82%	0.80%
Authority's proportionate share of the net pension liability	\$ 1,785,280	\$ 885,625	\$ 745,312
Authority's covered-employee payroll	\$ 897,126	\$ 457,281	\$ 446,128
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.0%	193.7%	167.1%
Plan fiduciary net position as a percentage of the total pension liability	68.2%	70.5%	73.6%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2016.

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 Framingham 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, 2016.

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Required Supplementary Information

Schedule of Pension Contributions (Unaudited)

Year Ended June 30, 2017

	2017	2016	2015
Actuarially required contribution	\$ 191,610	\$ 106,885	\$ 99,312
Contributions in relation to the actuarially required contribution	(191,610)	(106,885)	(99,312)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 897,126	\$ 457,281	\$ 446,128
Contributions as a percentage of its covered-employee payroll	21.36%	23.37%	22.26%

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.

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Budgetary Comparison Schedule

Year Ended June 30, 2017

<u>Expense Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Variance (Over)/Under</u>
Administration				
Personnel	\$ 1,403,904	1,482,411	1,512,169	(29,758)
Professional Services	295,019	213,968	216,661	(2,693)
Operations Center	567,543	601,970	604,824	(2,854)
Office and Travel	238,841	243,066	226,706	16,360
Debt Service - Interest	42,561	76,247	79,286	(3,039)
Transportation				
Fixed Route	3,268,617	3,335,807	3,345,717	(9,910)
Special Services	<u>4,036,403</u>	<u>3,655,223</u>	<u>3,710,762</u>	<u>(55,539)</u>
Total Expenses	<u>\$ 9,852,888</u>	<u>9,608,692</u>	<u>9,696,125</u>	<u>(87,433)</u>

See accompanying independent auditors' report

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Schedule of Net Cost of Service

For the Year Ended June 30, 2017

OPERATING COSTS

MWRTA administrative costs	\$ 1,955,536
Purchased services	
Fixed route	3,345,717
Demand responsive	3,710,762
Operations center	604,824
Debt service - interest	79,286
Total operating costs	9,696,125

FEDERAL OPERATING ASSISTANCE

FTA operating and administrative	2,266,915
Other federal	-
Total federal assistance	2,266,915

REVENUES

Operating	
Farebox revenue	622,656
Other Revenue	
Interest income	1,356
Miscellaneous	437,697
Total other revenue	439,053

NET OPERATING DEFICIT 6,367,501

ADJUSTMENTS

Extraordinary expenses	-
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NET COST OF SERVICE 6,367,501

NET COST OF SERVICE FUNDING

Local assessments	3,351,903
State contract assistance to be funded	3,015,598
Less: State contract assistance received	3,015,598
Balance requested from the State	-

UNREIMBURSED DEFICIT -

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Schedule of Local Assessments

For the Year Ended June 30, 2017

The following table shows the local share that has been assessed upon each member municipality by the Commonwealth for fiscal year 2016 as well as the audited amount for fiscal 2017.

	Fiscal 2016 Assessment	Fiscal 2017 Audited
Ashland	\$ 87,431	95,374
* Dover	-	-
Framingham	1,205,003	1,314,482
Holliston	76,473	83,420
Hopkinton	40,866	44,579
* Hudson	-	-
Marlborough	364,988	398,149
* Milford	-	125,000
Natick	569,335	621,061
Sherborn	-	-
Southborough	67,830	73,992
Sudbury	101,118	110,305
Wayland	33,038	36,039
** Wellesley	-	449,502
* Weston	-	-
	\$ 2,546,082	3,351,903
Totals	\$ 2,546,082	3,351,903

* No service was provided in Dover, Hudson, Sherborn, or Weston in fiscal 2016 and 2017.

** Service was provided in Wellesley but no local assessment was charged in 2016.