

**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, 2020

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

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

Year Ended June 30, 2020

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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, 2020, 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 financial position of the Metrowest Regional Transit Authority as of June 30, 2020 and the respective changes in its financial 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.

Emphasis of a Matter

The Authority's inability to timely issue its financial statements is the result of its participation in the Framingham Retirement System. The Authority is required by GASB 68 to report its proportionate share of the System's expense and net pension liability. The final audited report was received in June of 2021. This date is well beyond the statutory filing time noted in Chapter 161B, the Authority's enabling legislation.

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 4 through 10, Schedule of Authority's Proportionate Share of the Net Pension Liability and Schedule of Net Pension Liability on pages 31 and 32 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 33 through 35 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 October 14, 2020, except for Note 16, as to which the date is June 4, 2021 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
October 14, 2020
Except for Note 16, as to
which the date is June 4, 2021

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, 2020. Please read this discussion and analysis in conjunction with the Authority's financial statements which begin on page 11.

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 14 through 30 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, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 7,508,943	\$ 7,914,184
Restricted, noncurrent assets, deferred outflows	4,434,929	5,939,803
Capital assets, net	20,120,046	21,504,990
Total assets and deferred outflows	<u>32,063,918</u>	<u>35,358,977</u>
Current liabilities	1,532,118	2,494,638
Restricted and noncurrent liabilities	10,318,276	10,516,349
Long term liabilities	2,527,050	3,028,000
Total liabilities	<u>14,377,444</u>	<u>16,038,987</u>
Net position:		
Invested in capital assets, net of related debt	20,120,046	21,504,990
Unrestricted	(2,433,572)	(2,185,000)
Total net position	<u>\$ 17,686,474</u>	<u>\$ 19,319,990</u>
Operating revenue		
Revenue from transportation	\$ 479,129	\$ 607,985
Other	853,401	919,220
Total operating revenues	<u>1,332,530</u>	<u>1,527,205</u>
Operating expenses:		
Transportation services	8,634,840	9,061,613
Other operating expenses	1,754,465	1,862,099
Total operating expenses, excluding depreciation	<u>10,389,305</u>	<u>10,923,712</u>
Depreciation and amortization	1,654,683	1,472,445
Total operating expenses, including depreciation	<u>12,043,988</u>	<u>12,396,157</u>
Operating loss	<u>(10,711,458)</u>	<u>(10,868,952)</u>
Net nonoperating revenue	<u>9,015,865</u>	<u>9,224,507</u>
Loss before capital grants	(1,695,593)	(1,644,445)
Capital grants and contributions	62,077	3,050,448
Change in net position	<u>(1,633,516)</u>	<u>1,406,003</u>
Net position:		
Beginning of year	<u>19,319,990</u>	<u>17,913,987</u>
End of year net position	<u>\$ 17,686,474</u>	<u>\$ 19,319,990</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 \$17,686,474. The Authority's total net position decreased by \$1,633,516 due to the depreciation of fixed assets. The Authority's expenses, except for depreciation and amortization, are fully funded annually through a combination of federal, state, and local assistance.

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

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

- Passenger fares decreased \$128,856, or 21.2%, due to the decision to stop collecting fares during the pandemic.
- Total operating expenses, excluding depreciation, decreased by \$534,407, or 4.31%.
- 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, 2020 amounted to \$20,120,046 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, office, and other equipment.

Capital asset additions during the fiscal include the following:

Building & Improvements	\$ 38,097
Transit equipment	23,011
Electronic equipment	185,104
Furniture & fixtures	23,527
	<u>\$ 269,739</u>

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

At year-end, the Authority had \$9,657,000 of notes outstanding, an increase of \$257,000 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

The Authority's net cost of service (NCS) consists of all operating expenses less operating revenue without regard to local assessments and State Contracted Assistance (SCA). The NCS is partially funded through local assessments to the member communities which usually increases no more than 2 1/2 % annually plus the member's share of any new services for the year then ended. The remaining balance of net cost of service is then funded by the Commonwealth's SCA. MGLA Ch. 161B section 23 mandates "that fifty percent of the net cost of service of each Authority shall be paid by the Commonwealth and shall not be assessed upon the cities and towns constituting the Authority." Notwithstanding this statute, the Commonwealth still has not paid fifty percent of the net cost of service that it is obligated to pay for FY2017, FY2018 and FY2019.

Rather than operate at a deficit, this Authority's member communities have been assessed and are paying the "short fall" in the amount of \$168,598, \$658,255, and \$268,073 respectively. Therefore, these financial statements reflect a receivable of \$1,094,923 due from the Commonwealth in keeping with the requirements of the law, and will be adjusted for FY2020 for an additional \$200,985 in FY2021.

The MWRTA has consolidated 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.

Our planned conversion of the fixed route fleet to compressed natural gas (CNG) has been completed. 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 as well as Eversource to purchase CNG as they begin to convert their fleets. It has been noted that several private companies have also been using the CNG pumps for their vehicles. Additionally, MassDOT Highway District #3 is using the facility as a satellite fueling station. The CNG facility has been fully constructed and is open for business 24/7, and records show a savings in MWRTA fuel cost.

The MWRTA will replace 4 Type "D" Gas vehicles with 8 new CNG Vehicles. The Fixed Route Fleet has grown to 40 vehicles, with a max pull out of 33 vehicles, giving us a 15 % spare ratio. The Authority's 5 year plan is to replace and expand the fleet with 8 new type "D" CNG Vehicles next year and 5 each year thereafter, unless funding for growth dictates an increase in those numbers. The MWRTA will be distributing 8 new type "E" vehicles into its ADA Demand Response Fleet this year with 1 new EV Transit. We will be surplus 8 vehicles from the current fleet. The Demand Response fleet has grown to 37 vehicles, max vehicle pull out of 31, for a spare ratio of 16%. The plan is to replace the fleet over the next two to three years, with 8 new type "E" Vehicles per year. Some of these vehicles will be directed to updating COA's, Employment Options, SMOC and other non-profits. The Authority is studying the viability of converting its entire demand response fleet to electric vehicles (EV). The Authority will be testing the range on the new EV Vehicle, which states capacity at 200 miles.

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Looking ahead to FY2022, we will have flexibility in increasing fleet size, as we have targeted replacement of any and all eligible vehicles. Given that some DR vehicles will not meet mileage thresholds, there is a possibility (with MassDOT approval) that some of the programmed funds could be redirected to Fixed Route or used to purchase a different vehicle class than the 16 passenger 25' (which we may want to think to do if we are continually and more frequently paying for a second vehicle to go out due to overcrowding).

Please note that these numbers had assumed the same max vehicle pullout for each mode, which may not be the case for this year. For demand response, max vehicle for the FY2021 report year has only reached 17 vehicles. If service does not resume to pre-COVID levels around March 2021 (Next peak in service), we will have a significant spare ratio (approximately 50%) for DR service- under normal circumstances this would immediately raise all kinds of flags, however I anticipate that FTA will expect this for the year and will allow for over ratio waivers. For fixed route, we have cancelled a number of commuter shuttles, but have increased frequency on a number of routes and implemented a crowding policy which has approximately net zeroed each other out.

In 2016, MWRTA ended its free Class C Commercial Driver's License training program to focus on a new directive: to develop a creative approach to fund the Class C Program whereby eligible candidates identified by veteran and social service agencies could continue to be sent for training. In FY2018, the MWRTA filed legislation to become a CDL Class B training school allowing it to charge Class B students in order to keep the Class C program free of charge and operational. The legislation was vetoed by the Administration as "unfair competition to private driving schools". In FY2018, MWRTA persistently pursued the change in legislation with the help of Senator Spilka's office, and in FY2019 worked with the RMV, DPL, and DPU to complete all necessary licensing requirements. The MWRTA Class "B" CDL program is now open for business pending resolution of Covid-19 obstacles.

Framingham State University (FSU) continues to collaborate with MWRTA in the provision of transportation services to the students and faculty for the ninth consecutive year, although hampered by Covid-19 restrictions. The Authority provides the vehicles, maintenance, training, and some oversight, while the FSU transit system is operated by students with direct oversight from the FSU Transportation Services Department. The Authority continues to develop robust technology integration with FSU Transit and MassBay Community College allowing for a more efficient use of resources to meet their demands. A spike in ridership was an indication of the success of the program prior to the pandemic. The Authority is still working very closely with MassBay Community College to promote an inter-collegiate transit system between its Wellesley and Framingham campuses as well as expanding service to and from the Green Line in Riverside with hopes of recovery after the Covid-19 crisis has abated.

Five 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, Hopedale, Wellesley, Framingham and Holliston's COA are now fully integrated. "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 Authority incorporated the Towns of Hopedale and Wellesley into its centralized reservations program. Other member towns are considering joining.

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In 2015, MWRTA created a presence at the Downtown Framingham Commuter Rail Station (FCRS). The Authority had received a 5 year license from the MBTA to bring buses into the commuter rail parking lot, with some minor modifications. MWRTA moved the Concord and Howard Street bus stop to the FCRS, naming the stop the “Banana Lot”, as part of a comprehensive downtown streetscape project.

At the suggestion of the Secretary of Transportation, in 2016, the Authority partnered with MassDOT, the MBTA, and Keolis to pilot a maintenance program at the Framingham Commuter Rail Station, which included oversight of the parking facilities, as well as developing additional parking spaces and providing maintenance. The MWRTA installed a 1930 vintage caboose at the FCRS to be used as office space for administration and security. In FY2018, the MWRTA completed the rebuilding of the stairs at the station, which were deteriorating and unsafe, as well as upgraded and maintained the elevators, creating a functioning, safe, and enhanced facility. In FY2019, the MWRTA built an additional 290 space parking lot in the Northside of the station, coupled with cameras, lighting, and informational signage. The Administrator is continuing negotiations with the City of Framingham for the potential takeover of the defunct Pearl Street municipal garage as well as the leased “southside” parking lot. The long range plan would be to increase activity in the Intermodal area with the addition of more intercity buses. MWRTA also created an intermodal connection between the FCRS and the Blandin Facility by developing along with the City, 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. The pedestrian access was named “Nau Way” and is continuously maintained with landscaping, trash removal, and safety enhancements by the MWRTA. The Authority hopes to continue the access from Blandin to Leland Street, opening up the environmental justice opportunities for the southside neighborhood.

The Authority focused a great deal on shuttles in FY2019, through revising them to become more efficient and providing additional marketing and outreach. Currently, MWRTA 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, along with three commuter shuttles that run during peak commute hours. “First and Last Mile” shuttle service is a large area of concentration for the MWRTA, as it works to coordinate with the MBTA's commuter rail service and its operator, Keolis. MWRTA has also built a shuttle that runs between the MassBay College Campuses, and one that runs from the MassBay Wellesley Campus to the Riverside Green Line Station, transporting hundreds of students a week. All of the above have been curtailed as a result of COVID-19.

Because the Authority was successful in winning a Discretionary Grant with FY2019 funds, it has developed an application (App) which allows its customers to connect with shuttles even though the Commuter Rail trains are not on time. The APP has been launched and will be the lynchpin of a new micro-transit project as this Authority moves forward.

The Administrator serves on the Board of Directors for the 495/MetroWest Corridor Partnership, Inc., and the MetroWest Center for Independent Living, giving the Authority a voice in both the economic development and disabled community. He also serves on the MetroWest Vietnam Veteran's Monument Committee which is committed to galvanizing the veterans' community in the MetroWest area.

METROWEST REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information

Management's Discussion and Analysis – Unaudited

Despite the challenges of COVID-19, 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 (over \$27B). 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 percentage of state contract assistance to realize its potential and obtain equity among other RTAs. Hopefully, the Administrator's appointment last year to the Governor's Task Force has shed light on this problem.

METROWEST REGIONAL TRANSIT AUTHORITY
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Statement of Net Position

June 30, 2020

Assets and Deferred Outflow of Resources

Current assets:

Unrestricted cash and short term investments	\$ 1,597,843
State operating assistance receivable	1,094,925
Receivables from cities and towns	4,070,234
Other receivables	206,124
Prepaid expenses	539,817

Total current assets	7,508,943
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Restricted and noncurrent assets:

Receivables from cities and towns	4,216,483
Capital assistance receivables	124,968
Capital assets, net	20,120,046

Total noncurrent assets	24,461,497
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Total Assets	31,970,440
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Deferred outflow of resources

Deferred outflows from pension plans	93,478
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Total Assets and deferred outflows of resources	\$ 32,063,918
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Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 482,336
Accrued payroll	88,672
Accrued interest payable	161,110
Bank line of credit	800,000

Total current liabilities	1,532,118
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Restricted and noncurrent liabilities:

Accounts payable	528,879
Compensated absences	132,397
Net pension liability	2,527,050
Revenue anticipation notes	9,657,000

Total restricted and noncurrent liabilities	12,845,326
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Total Liabilities	\$ 14,377,444
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Net Position

Invested in capital assets, net of related debt	\$ 20,120,046
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Restricted	-
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Unrestricted (Note 15)	(2,433,572)
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Total Net Position	\$ 17,686,474
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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, 2020

Operating Revenues:	
Passenger fares	\$ 479,129
Other Income	853,401
	<u>1,332,530</u>
Operating Expenses:	
Transit service	6,251,531
Maintenance	1,613,097
Call center operations	563,884
Intermodal center	206,328
General Administration	1,713,555
GASB 68 expense	40,910
	<u>10,389,305</u>
Depreciation	1,654,683
	<u>12,043,988</u>
Total operating expenses	<u>12,043,988</u>
Operating loss	<u>(10,711,458)</u>
Non-operating revenues (expense)	
Operating Assistance grants	
Federal operating assistance	1,824,016
Commonwealth of Massachusetts contract assistance	3,206,558
Local Assessments	3,876,600
State Contract Assistance - Prior Years	268,073
Interest income	5,307
Interest expense	(164,689)
	<u>9,015,865</u>
Total non-operating revenues	<u>9,015,865</u>
Loss before capital grants	<u>(1,695,593)</u>
Capital grants and contributions	62,077
Change in net position	(1,633,516)
Net Position, beginning of the year	<u>19,319,990</u>
Net Position, end of the year	<u>\$ 17,686,474</u>

See accompanying notes to the financial statements

METROWEST REGIONAL TRANSIT AUTHORITY
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Statement of Cash Flows

Year ended June 30, 2020

Cash flows from operating activities:	
Passenger fares	\$ 479,129
Other cash receipts	934,755
Payments to operators	(8,429,562)
Payments to other vendors	(427,704)
Payments to employees for services	(1,759,351)
Net cash used in operating activities	<u>(9,202,733)</u>
Cash flows from non-capital financing activities:	
Proceeds from sale of revenue anticipation notes	9,657,000
Principal paid on revenue anticipation notes	(9,400,000)
Line of credit advances	800,000
Line of credit repayments	(1,400,000)
Interest paid on revenue anticipation notes	(232,514)
Operating and contract assistance	10,461,268
Net cash provided by non-capital financing activities	<u>9,885,754</u>
Cash flows from financing activities:	
Capital grants	660,399
Purchase of capital assets	(269,769)
Net cash provided by capital and related financing activities	<u>390,630</u>
Cash flows from investing activities:	
Interest income	5,307
Net cash provided by investing activities	<u>5,307</u>
Net change in cash and cash equivalents	1,078,958
Cash and short term investments, beginning of year	<u>518,885</u>
Cash and short term investments, end of year	<u>\$ 1,597,843</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (10,711,458)
Adjustments:	
Depreciation	1,654,683
Increase in unfunded pension	(500,950)
Changes in assets and liabilities	
Local assessment and other receivables	1,361,798
Prepaid expenses	(15,755)
Accounts payable	(991,051)
Net cash used in operating activities	<u>\$ (9,202,733)</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, 2020

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 Cities of Framingham and Marlborough, and the Towns of Ashland, Dover, Holliston, Hopedale, 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.

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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. Compensated absences at June 30, 2020 totaled \$132,397.

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.

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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. Implementation of GASB Pronouncements

In May of 2020, the GASB issued Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement postponed the required implementation of many of the upcoming Statements for one year or longer.

There were no GASB pronouncements required to be implemented in fiscal 2020 that impacted the Authority's financial statements.

The GASB has issued the following statements which require adoption subsequent to June 30, 2019 and are applicable to the Authority. The Authority has not yet adopted these statements, and the implications on the Authority's fiscal practices and financial reports are being evaluated.

- No. 84 – *Fiduciary Activity* – effective FY2021
- No. 87 – *Leases* – effective FY2022
- No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period* – effective FY2022
- No. 90 – *Major Equity Interests* – effective FY2021
- No. 91 – *Conduit Equity Obligations* – effective FY2023
- No. 92 – *Omnibus 2020* – effective FY2022
- No. 93 – *Replacement of Interbank Offered Rates* – effective FY2022

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- No. 94 – *Private-Public and Public-Public Partnership and Availability Payment Arrangements* – effective FY 2023
- No. 96 – *Subscription-Based Information Technology Arrangements* – effective FY2023
- No. 97 – *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment on GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32* – effective FY2022

N. Pension Plans

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.

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 2020, the Authority has reported deferred outflows that are related to its pension plan.

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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, 2020, \$2,034,623 of the government's bank balance of \$2,288,646 was exposed to custodial credit risk as uninsured and uncollateralized.

C. Interest Rate Risk

As of June 30, 2020, 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, 2020 was \$4,023 and its average maturity is less than one year.

D. Credit Risk

As of June 30, 2020, 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.

F. Restricted Cash

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

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Note 4. Capital Assets

The following is a summary of changes in Capital Assets at June 30, 2020:

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated				
Land	\$ 2,957,863	-	-	2,957,863
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,957,863</u>	<u>-</u>	<u>-</u>	<u>2,957,863</u>
Other capital assets:				
Buildings and improvements	17,111,667	38,097	-	17,149,764
Transit equipment	2,897,215	23,011	-	2,920,226
Electronic equipment	1,460,475	185,104	-	1,645,579
Passenger shelters	28,115	-	-	28,115
Furniture & fixtures	600,625	23,527	-	624,152
Service equipment	1,227,541	-	-	1,227,541
Service vehicle	385,259	-	-	385,259
Solar equipment	1,700,000	-	-	1,700,000
Total other capital assets at historical cost	<u>25,410,897</u>	<u>269,739</u>	<u>-</u>	<u>25,680,636</u>
Less accumulated depreciation for:				
Buildings and improvements	2,585,481	1,067,367	-	3,652,848
Transit equipment	1,772,261	239,527	-	2,011,788
Electronic equipment	833,956	121,313	-	955,269
Passenger shelters	25,286	1,223	-	26,509
Furniture & fixtures	556,806	7,909	-	564,715
Service equipment	899,483	65,774	-	965,257
Service vehicle	114,941	38,237	-	153,178
Solar equipment	75,556	113,333	-	188,889
Total accumulated depreciation	<u>6,863,770</u>	<u>1,654,683</u>	<u>-</u>	<u>8,518,453</u>
Other capital assets, net	<u>18,547,127</u>	<u>(1,384,944)</u>	<u>-</u>	<u>17,162,183</u>
Total capital assets, net	<u>21,504,990</u>	<u>(1,384,944)</u>	<u>-</u>	<u>20,120,046</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 2020 was \$2,881,183. The Authority has recorded \$268,073 as additional revenue for amounts not recorded as assistance in prior years. See Footnote 14.

Note 6. Revenue Anticipation Notes

At June 30, 2020, the Authority had \$9,657,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 1.3926% and are due September 18, 2020.

	Outstanding at June 30 2019	Issued	Retired	Outstanding at June 30 2020
1.0544% revenue anticipation note	\$ 9,400,000	-	9,400,000	-
2.1456% revenue anticipation note	-	9,657,000	-	9,657,000
Total	\$ 9,400,000	9,657,000	9,400,000	9,657,000

Subsequent to the year end, the Authority retired \$9,657,000 of the notes outstanding at year end. The retirement was financed by the borrowing of \$9,770,000 of revenue anticipation notes with a weighted average net interest cost of 0.5143% and are due September 17, 2021. The Authority uses the proceeds of these notes to fund its mass transit operations. The RAN is 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 \$2,000,000 that is due on demand. The note contains a variable interest rate. The loan is secured by all assets of the Authority. The Authority owed \$800,000 at June 30, 2020.

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Note 8. Retirement Plan

General Information about the Pension Plan

A. Plan Description

The Framingham Retirement System (FRS) is multiple- employer, cost sharing, contributory defined benefit pension plan covering all employees of the government member units deemed eligible by the Framingham Retirement Board (Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory upon the commencement of employment for all permanent employees working a minimum of 20 hours per week. Participating member units include the City of Framingham, the Framingham Housing Authority, and the Metrowest Regional Transit Authority.

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 by contacting the City Accountant located at 150 Concord Street, Framingham, Massachusetts, 01702.

B. Benefits Provided

The Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. Massachusetts contributory retirement system benefits are, with certain exceptions such as cost of living adjustments which can be adopted by the Board from time to time, uniform from system to system. The System 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 persons who became members on or after April 2, 2012, average salary is the average annual rate of 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. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of the accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

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C. Funding Policy

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences as mandated by statute. The member units are required to pay into the System 100% of the actuarially determined contribution that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contribution to the Retirement System for the year ended June 30, 2020 was \$402,549, 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, 2020, the Authority reported a liability of \$2,527,050 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2019, the Authority's proportion of net pension liability was 2.29 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, 2019.

In the FRS financial statements for the year ended December 31, 2019, 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 outflow 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 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.

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For the year ended June 30, 2020, the Authority recognized pension expense of \$443,459. At June 30, 2020 the Authority reported deferred outflows related to pensions from the following sources:

	Deferred Outflows of Resources
Assumption changes	\$ 336,081
Difference between expected and actual experience	50,380
Net difference between projected and actual investment earnings	<u>(292,983)</u>
	<u><u>\$ 93,478</u></u>

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

Year ended June 30:		2021	\$ 56,648
		2022	20,004
		2023	72,072
		2024	(76,185)
		2025	20,939

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A. Actuarial Assumptions

The total pension liability in the January 1, 2020 actuarial valuation and the related rollback to December 31, 2019 (the measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal cost method
Amortization method	Increasing payments 6.95% per year
Remaining amortization period	10 years from July 1, 2020
Asset valuation method	Market value
Investment rate of return	7.25% net of pension plan investment expense, including inflation
Inflation rate	Not explicitly assumed
Salary increases	4.25% per year for Group 1 and 4.75% per year for Group 4
Cost of living adjustments	3.0% on the first \$12,000
Mortality rates:	Pre-Retirement-RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2018 (gender distinct) Healthy Retiree-RP-2014 Blue Collar Health Annuitant Table projected generationally with Scale MP-2018 (gender distinct) Disabled Retiree-RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2018 (gender distinct)

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B. Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long term expected real rate of return on pension 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. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	39.00%	4.68%
Fixed Income	23.00%	1.90%
Private equity	13.00%	8.50%
Real estate	10.00%	3.70%
Timber/National Resources	4.00%	4.30%
Portfolio completion strategies	11.00%	3.40%
Total	100.00%	

C. Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from employers will be made at actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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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D. 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Authority's proportionate share of the net pension liability	\$ 3,705,495	\$ 2,527,050	\$ 1,529,399

E. Changes in Assumptions

The following changes in assumptions were made from the previous measurement date:

- Discount rate was reduced from 7.35 percent to 7.25 percent
- The mortality assumption was revised

F. Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2020.

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Health insurance benefits for employees are provided through a health maintenance organization. The Authority's contributes 50% of the premium cost for employees. In 2020, expenditures for the Authority's share of health insurance contributions were \$120,473. The Authority purchases insurance for worker's compensation for its employees.

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	\$ 28,638,499
Less: Accumulated Depreciation	8,518,453
Less: Outstanding Debt Related to Capital Assets	-
Investments in Capital Assets	<u>\$ 20,120,046</u>

Note 12. Transit Service

The initial 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 FY2017 contract was also hourly, for providing specific revenue fixed route hours (less fuel, insurance, and maintenance). Additionally, there was no management fee and was for three years with (2) one year options. The successful bidder was Keissling Transportation, Inc. (KTI). The FY2017 contract for fixed route was extended for one year through June 30, 2020.

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Prior to June 30, 2020 the Authority entered and completed a competitive bid process for contracted fixed route services from a fixed route provider for the three year period commencing July 1, 2020 (FY2021). The FY2021 contract is at an hourly rate for providing specific revenue fixed route hours (less fuel, insurance, and maintenance) and contains (2) one year options. The successful bidder was Kiessling Transit, Inc. (KTI) a wholly owned subsidiary of National Express Transit Corp.

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 had contracted with Kiessling Transportation, Inc., (KTI) commencing July 1, 2016 to provide both services at an hourly rate. This contract for ADA complementary paratransit and dial-a-ride demand response service had been extended through June 30, 2020.

Prior to June 30, 2020 the Authority entered into a competitive bidding process for contracted ADA complementary paratransit and dial-a-ride demand response services from a demand response service provider, for the three year period commencing July 1, 2020 (FY2021). The FY2021 contract is to provide both services at an hourly rate and contains (2) one year options. The successful bidder was Kiessling Transit, Inc. (KTI) a wholly owned subsidiary of National Express Transit Corp. 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.

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 \$163,506 during the fiscal year.

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Note 14. Related Party

The Authority is deemed to be a related party 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 \$3,149,256; State Capital Assistance of \$162,288; Federal pass-through funds of \$96,398; and Local Assessments of \$3,876,600 to be paid to the Authority by the Commonwealth. Related party receivables consist of \$1,094,925 of State Contract Assistance \$8,286,717 in operating assistance to be billed to the Communities constituting the Authority and \$8,330,729 of State Capital Assistance. The money due from State Contract Assistance is for prior year receivables due under Section 23 of MGL Chapter 161B. This section calls for the State to pay 50% of net costs and limit community assessments to 50%. Community assessments in those earlier years were greater than 50%

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, 2020 is to reduce the unrestricted net position by \$2,433,572.

Note 16. Framingham Retirement System Report

The Authority, as indicated in Footnote 8, is a member of the Framingham Retirement System. As part of their financial statements the Authority is required by GASB 68 to recognize its proportionate share of the expense, deferred outflows and net pension liability of the System. The Authority is required by statute to have its audit completed by October 1, 2020. The final audit report for the Retirement System was released in June of 2021.

The Authority had been advised that a qualified opinion was not acceptable as a component Unit of the Massachusetts Department of Transportation. In order to satisfy that requirement, it was necessary to wait until the receipt of the final Retirement System report in order to input the required financial amounts and disclosures.

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

Notes to Financial Statements

June 30, 2020

Note 17. COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 15, 2020, Governor Baker ordered the closure of the physical location of every “non-essential” business for what was an extended period of time. The immediate impact on our operations has been the reduction in fixed route and demand response services as well as the elimination of fares from mid-March. Future potential impacts may include disruptions or restrictions on our employees’ ability to work and impairment of our ability to provide vital transportation services. The future effects of these issues are unknown.

In April of 2020 the Authority was awarded \$6,738,647 in CARES ACT funding through the Federal Transit Administration. This money is available to be drawn down to offset revenue losses as well as cover additional expenses related to potential restrictions placed on the operation of the Authority’s transit services. Activities covered under this grant were retroactive to January 20, 2020 and will continue until spent.

Note 18. Subsequent Events

The Authority has evaluated events subsequent to June 30, 2020 through October 14, 2020, except for Note 16, as to which the date is June 4, 2021 the date on which the financial statements were available to for issuance, and determined that, other than the RAN refinancing discussed in Note 6, 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 (Unaudited)

Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios
Last 10 Fiscal Years

	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered-employee payroll	Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of total pension liability
2020	2.2900%	\$ 2,527,050	\$ 1,639,800	154.11%	76.29%
2019	2.3200%	\$ 3,028,000	\$ 1,538,000	196.88%	70.20%
2018	2.0200%	\$ 2,120,000	\$ 1,339,000	158.33%	75.20%
2017	1.4000%	\$ 1,785,280	\$ 897,126	199.00%	68.20%
2016	0.8200%	\$ 885,625	\$ 457,281	193.67%	70.50%
2015	0.8000%	\$ 745,312	\$ 446,128	167.06%	73.60%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2019.

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, 2019.

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

Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

Last 10 Fiscal Years

	Actuarially required contribution	Contributions in relation to the actuarially required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of its covered-employee payroll
2020	\$ 402,549	402,549	\$ -	\$ 1,639,800	24.55%
2019	\$ 380,000	381,000	\$ (1,000)	\$ 1,538,000	24.71%
2018	\$ 312,406	312,406	\$ -	\$ 1,339,000	23.33%
2017	\$ 191,610	191,610	\$ -	\$ 897,126	21.36%
2016	\$ 106,885	106,885	\$ -	\$ 457,281	23.37%
2015	\$ 99,312	99,312	\$ -	\$ 446,128	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.

See accompanying independent auditors' report

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

Budgetary Comparison Schedule

Year Ended June 30, 2020

<u>Expense Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Variance (Over)/Under</u>
Administration				
Personnel	\$ 1,881,710	1,861,407	1,905,186	(43,779)
Professional Services	199,373	207,879	209,242	(1,363)
Operations Center	610,872	555,625	563,884	(8,259)
Office and Travel	214,670	201,658	212,969	(11,311)
Intermodal Parking Lot	292,305	201,749	206,328	(4,579)
Debt Service - Interest	255,485	162,189	164,689	(2,500)
Transportation				
Fixed Route	4,312,525	4,261,859	4,268,176	(6,317)
Special Services	<u>3,654,772</u>	<u>2,961,804</u>	<u>2,982,610</u>	<u>(20,806)</u>
Total Expenses	<u>\$ 11,421,712</u>	<u>10,414,170</u>	<u>10,513,084</u>	<u>(98,914)</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, 2020

OPERATING COSTS

MWRTA administrative costs	\$ 1,713,555
Purchased services	
Fixed route	3,696,937
Demand responsive	2,554,594
Maintenance	1,613,097
Operations center	563,884
Intermodal center	206,328
Debt service - interest	164,689
Total operating costs	10,513,084

FEDERAL OPERATING ASSISTANCE

FTA operating and administrative	922,968
Other federal	901,048
Total federal assistance	1,824,016

REVENUES

Operating	
Farebox revenue	479,129
Other Revenue	
Interest income	5,307
Miscellaneous	853,401
Total other revenue	858,708

NET OPERATING DEFICIT 7,351,231

ADJUSTMENTS

Extraordinary expenses	-
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NET COST OF SERVICE 7,351,231

NET COST OF SERVICE FUNDING

Local assessments	3,876,600
State contract assistance to be funded	3,474,631
Less: State contract assistance received	3,206,558
Balance requested from the State	268,073

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, 2020

The following table shows the local share that has been assessed upon each member municipality by the Commonwealth for fiscal year 2019 as well as the audited amount for fiscal 2020.

	Fiscal 2019 Assessment	Fiscal 2020 Audited
Ashland	\$ 180,605	166,413
Dover	10,032	10,499
Framingham	1,548,429	1,579,382
Holliston	164,648	155,686
Hopedale	5,463	1,636
Hopkinton	60,334	56,277
Hudson	55,458	1,641
Marlborough	466,165	422,765
Milford	99,980	102,059
Natick	776,271	727,378
* Sherborn	-	-
Southborough	112,420	107,123
Sudbury	131,917	121,066
Wayland	61,992	54,243
Wellesley	403,037	364,419
Weston	1,846	6,013
	<hr/>	<hr/>
Totals	<u>\$ 4,078,597</u>	<u>3,876,600</u>

* No service was provided in Sherborn in fiscal 2019 and 2020.