

MVRTA ANNUAL REPORT

Fiscal Year 2014

July 1, 2013 – June 30, 2014



THREE NEW BOSTON COMMUTER BUSES

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Message from the Chairperson

On October 11, 1974 the chief elected officials from the Cities of Lawrence and Haverhill and the Towns of Methuen, North Andover and Merrimac met and voted to form the Merrimack Valley Regional Transit Authority. In that first year following the enactment of Chapter 161B of the Massachusetts General Laws, the enabling statute that authorized the formation of Regional Transit Authorities, four other RTAs were formed thus making the MVRTA one of the original five Authorities established under this new statute. In establishing the MVRTA recognition was given that a locally formed, locally controlled organization would be available to assist member cities and towns in not only providing public transportation services that would best meet local needs but also in the construction and management of the infrastructure to support these services.

The local officials that comprise the MVRTA Advisory Board are well aware of the need to maintain essential public transportation services. The Board also recognizes that the provision of services to member cities and towns is a cooperative effort involving member communities, the Commonwealth of Massachusetts and the Federal Government.

The regional foundation of the MVRTA has allowed member communities to work together to provide public transportation services and infrastructure that are needed in support of the economic, educational, recreational, social development of the Merrimack Valley.

In June 2013, the Massachusetts Legislature passed a Transportation Finance Bill. This Bill included funds for operating assistance (contract assistance) starting in FY 2014 and continuing through to FY 2019. The Bill also provided forward funding of State Contract Assistance starting in FY 2015. The former allowed the MVRTA to implement new bus service improvements in FY 2014. The latter ceased to provide State funding in arrears, thus reducing borrowing costs for the MVRTA. FY 2014 was the transition year to accomplish these two important tasks.

Mayor Daniel Rivera
City of Lawrence
Chair, MVRTA Advisory Board

MVRTA ADVISORY BOARD

<u>Member/Municipality</u>	<u>Representative</u>
Amesbury	Mayor Kenneth Gray (Member) Evan Kenney (Designee)
Andover	Reginald Stapczynski – Town Manager (Member) Paul Materazzo (Designee)
Boxford	Mary Ann Nay, Chairperson, Board of Selectmen (Member)
Georgetown	Stuart Egenberg, Chairman, Board of Selectmen (Member) Michael Farrell, Town Administrator (Designee)
Groveland	Elizabeth A. Gorski, Chairperson, Board of Selectmen (Member)
Haverhill	Mayor James Fiorentini (Member) David S. Van Dam (Designee)
Lawrence	Mayor Daniel Rivera (Member)
Merrimac	Laura D. Mailman, Chairperson, Board of Selectmen (Member) J. Leonard Bachelder (Designee)
Methuen	Mayor Steven N. Zanni (Member) Kathleen B. Colwell (Designee)
Newbury	Geoffrey Walker, Chairman, Board of Selectman (Member)
Newburyport	Mayor Donna Holaday (Member), Peter Lombardi (Designee)
North Andover	Andrew W. Maylor, Town Manager (Member) Curt Bellavance (Designee)
Rowley	G. Robert Merry, Chairman, Board of Selectmen (Member)
Salisbury	Neil J. Harrington, Town Manager (Member) Christine Lindbergh (Designee)
West Newbury	Glen A. Kemper, Chairman, Board of Selectmen (Member)

MVRTA STAFF

Joseph J. Costanzo, Administrator
Mary Ann Bergeron, Director of Finance
Priscilla Schiavoni, Administrative Assistant

Highlights and Accomplishments: Fiscal Year 2014

A. Capital Program

1. Five Year Capital Program

The Authority updated its 5 Year Capital Improvement Program for the period FY2015-2019. Included are the purchase of replacement buses and vans, ongoing planning support, and replacement of support vehicles.

2. Transportation and Economic Development

a. *Preliminary Design of Intermodal Parking Facility in the City of Newburyport*

After extensive discussions with the Region I FTA Staff and with the City of Newburyport, the effort by MVRTA will be to pursue the design of a transit element as part of an overall Intermodal Parking Facility. This transit element would consist of parking for MVRTA buses and vans, a possible site office, and one hundred (100) parking spaces for private sector- provided bus service to Boston. The location of this transit element would be on the East side of Titcomb Street. At the close of the fiscal year, MVRTA and the City were in the process of completing a Section 106 submittal to FTA that addresses Historic District requirements, and are in continued discussions with New England Development, owner of the East side parcel.

3. Implementation of Other Capital Items

In addition to the projects described above the following projects were implemented during the fiscal year:

a. ***Purchase of New Commuter Buses***

Orders were placed for three (3) new commuter buses during the fiscal year. These new buses would be 45' in length to accommodate 57 passenger seats rather than the 48 seats contained on the present Model Year 2000 40' commuter buses. All three new buses were delivered and placed into service during FY 2014. The additional seats will accommodate increasing ridership on the Boston Commuter Service.

b. ***State of good Repair – Office Maintenance Facility Renovation***

A state of good repair project was designed for the Authority's Office/Maintenance Facility. This project would construct a canopy to shelter sixteen (16) vans used in providing service to the elderly and disabled, repair an existing building to store archived documents and spare parts for buses and vans, and to demolish one building no longer needed for any transit activity. A contract was awarded to WES Construction in June 2013, and activities were completed by December 2014. Funding for this project was provided from a new capital grant and the remaining balance of Economic Recovery funds.

c. ***Construction of Lawrence Gateway Oxford Park***

In order for the Authority to complete its permitting requirements with the Massachusetts Department of Environmental Protection (MassDEP), (resulting from the construction of the Gateway Surface Parking Area), construction assistance to the City of Lawrence to complete the Oxford Park continued during the fiscal year. Using a combination of EPA, Mass PARC, and Mass Development funds, the Authority awarded a contract to the DeFelice Corporation to construct the passive park on the former Oxford Paper Mill site. At the end of the fiscal year, 90% of the work had been completed. The substantial completion milestone was set for July 2014 and total completion for September 2014.

d. ***Replacement of Supervisory Vehicles***

Federal Transit Grant and State Capital funds were used to replace two (2) Model Year 2005 and two (2) Model Year 2008 supervisory vehicles with new all weather, heavy duty equipped vehicles. This purchase would continue to give Bus Operations personnel the equipment needed to monitor on-street bus and van services/daily operations.

e. ***Bus Engine Refurbishment***

Federal Transit Grant funds were being used to refurbish engines on seventeen (17) Model Year 2004 transit buses after eight years of service. In addition, other engine components were replaced with new, for example, radiators, alternators, hoses, and belts. This mid-life refurbishment will assist these buses to achieve the programmed twelve year useful design life as well as maintaining mechanical reliability for service.

f. At the end of the fiscal year, a FTA grant was filed to undertake a State of Good Repair project at the MVRTA Office/Maintenance facility and the McGovern Transportation Center. The former project would consist of replacement of five manual doors with new, replacing lighting in the Maintenance Building, and replace monitoring equipment at the diesel and gasoline tanks. In the latter facility, repair of paving would be done, restriping of parking areas and replacing of small HVAC units with more energy efficient units would also be done.

g. During the fiscal year, work continued on the preparation of specifications for the replacement of the Model Year 2004 communications system.

h. During the fiscal year, the MVRTA participated in a joint procurement process for buses and vans with several other Massachusetts RTAs. As the fiscal year came to a close, the procurement process for both types of vehicles were in the final stages of completion. Contract award by the SRTA for buses and the PVRTA for vans would take place in early FY 2015.

B. Planning Program

1. Metropolitan Planning/MPO Process

The MVRTA continued to provide input, review, and comment on various planning documents including the Unified Planning Work Program and four-year Transportation Improvement Program. Meetings of the Merrimack Valley Metropolitan Planning Organization were also attended during the fiscal year.

2. State Wide Public Transit Process

During the fiscal year the MVRTA participated in meetings of the Massachusetts Association of Regional Transit Authorities that covered such issues as State funding of Public Transportation. Also included in this process was continued discussions and meetings with MassDOT staff on various administrative matters concerning RTA funding.

3. MVRTA Strategic Plan

During the fiscal year 2013, the MVRTA Advisory Board adopted a Strategic Plan to assist in guiding the Authority over the coming years. The Plan included goals, objectives, and an Action Plan. Also included in the Plan is a program of service improvements from Fiscal Year 2015 through Fiscal Year 2019. During the fiscal year, this Plan was updated to include upcoming Fiscal Year 2015 operating and five-year capital plans.

4. Preparation of Regional Transit Plan

Included in the Transportation Finance Bill passed by the legislature in June 2013 was the requirement that each Regional Transit Authority prepare a Regional Transit Plan. The legislature included nine elements that needed to be addressed in the Plan.

- a. Comprehensive Assessment of Transit Services
- b. Examination of Ridership Trends for Each Line and Service
- c. Performance Analysis of Existing Services
- d. Development and Evaluation of Alternative Service Scenarios
- e. Development of a Recommendation to Better Align Service With Local and Regional Demand
- f. Commonwealth's Environmental Policies
- g. Fare Rates and Collection Methods
- h. Regions' Job Creation Goals and Employment Needs
- i. Determination of Whether the Regional Transit Authority's Service is Deployed in most Effective Way Possible to Accommodate the Transit Needs of the Region's Workforce

Ten RTAs decided to work together to obtain the services of a consultant to assist each RTA in preparation of its particular Transit Plan. Funding would be provided using a combination of Federal Transit Planning Funds and local match. Federal Transit Funds would be provided by MVRTA, WRTA, GATRA, MART, and LRTA. Each participating RTA would also provide its share of the local match required by the FTA funds. The consulting firm of URS Corporation was chosen to provide technical assistance to the ten participating RTAs. A kick-off meeting was held in February 2014 and the planning process continued during the fiscal year. The planning process would continue during FY 2015 with each RTA plan completed by June 30, 2015. The participating RTAs are: MVRTA, LRTA, WRTA, VTA, NRTA, FRTA, MART, CATA, BRTA, GATRA.

C. Marketing Program

a. The following activities were undertaken during the fiscal year:

1. Marketed Summer Service Route 83 Salisbury/Hampton Beach
2. Continued to promote on-board bus advertising
3. Participated in Informational sessions regarding how to use MVRTA services
4. Completed the development of a mobile website for use on smartphones to provide More access to service information for present and potential MVRTA customers.
5. During the fiscal year, preparation of a 2014-2016 Marketing Plan began. The Plan would be completed in early FY 2015.

D. Service Program

1. New Service

In June 2013, the MVRTA Advisory Board included in its annual budget for FY 2014 new bus services. This action was a direct result of new funding provided by the State Legislature in the Transportation Finance Bill passed in June 2013. These new bus service improvements are:

a. *Expand weekday frequency on Routes 01 and 41*

Beginning on Tuesday, September 3, 2013, the off-peak frequency of these two routes (weekday service between 9:00 a.m. and 2:00 p.m.) was improved from 60 minutes to 30 minutes. This change in frequency was necessitated by the increasing number of standees on these two routes during the off-peak time period.

b. *Expand NECC Shuttle Service between the Lawrence & Haverhill campuses*

The present two (2) trip NECC Express Shuttle was expanded to six (6) trips that began September 4, 2013. Students using the service would ride fare free with NECC paying the one dollar (\$1) fare per student rider to MVRTA. The expansion of the Lawrence Campus and its connection to the Haverhill Campus necessitated this increase in transit service.

c. *Veteran's Day Service*

For the first time since 1980, Veteran's Day service was provided on a Saturday schedule for all local bus routes. Veteran's Day was Monday, November 11th, 2013.

2. Information on all MVRTA services is available at www.mvrta.com

3. Emergency Response / Security

During the fiscal year, the Authority maintained its emergency response capability in a state of readiness. The Authority's Mass Casualty/Evacuation assets consists of one Ambubus, one Evacuation bus, and two Evacuation vans.

FY 2015 Program

The following activities would be undertaken during FY 2015:

I. Administration

Complete all administrative activities including such items as FY 2014 Annual Report, FY 2014 Annual Audit, adoption of FY 2015 Annual Budget, filing of required Federal Transit Funding Applications, and complete borrowings to finance operations.

II. Capital

Complete projects under received capital grants, update the five-year capital plan, and obtain funding for Final Design for the Newburyport Intermodal Parking Facility.

III. Marketing

Prepare a 2014-2016 marketing plan to improve community awareness of services.

IV. Special Projects

1. Initiate Final Design of transit element of Newburyport Intermodal Parking Facility
2. With Assistance from MVPC, prepare updated MVRTA Strategic Plan
3. Complete HOV/BOS Feasibility Study with MVPC Assistance
4. Participate on Northeast Regional Homeland Security Advisory Council (NERAC)
5. Monitor New bus service implemented in FY 2014
6. Plan for new service improvements for FY 2015
7. Complete the Regional Transit Plan

APPENDIX A

Overview of the MVRTA

- I. Introduction**
- II. Important Features**
- III. Description of Service**

OVERVIEW

OF

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

I. INTRODUCTION

In addition to the Massachusetts Bay Transportation Authority (MBTA), which provides public transportation to the Greater Boston area, public transportation in Massachusetts is provided by a network of 15 Regional Transit Authorities (RTAs) enabled in 1974 with the passage of Chapter 161B of the Massachusetts General Laws. RTA's are body politics and political subdivisions of the Commonwealth. Chapter 161B defines the overall structure and functioning of RTAs. The Merrimack Valley Regional Transit Authority (MVRTA) was established on October 11, 1974. It was one of the original transit authorities created by Chapter 161B of the Massachusetts General Laws.

MVRTA began service in Fiscal Year 1976 in the City of Haverhill and expanded over the next three years to include the City of Lawrence and the Towns of North Andover, Methuen, and Andover. Ten neighboring communities (Boxford, Groveland, Merrimac, Newbury, Rowley, Amesbury, Newburyport, West Newbury, Salisbury and Georgetown) have since joined the Authority. Presently, the communities of Haverhill, Lawrence, Andover, North Andover, Methuen, Merrimac, Amesbury, Newburyport, Boxford, Groveland, Salisbury, Georgetown, West Newbury, and Newbury receive service.

II. IMPORTANT FEATURES OF THE MVRTA

There are several innovative features incorporated into the original legislation that provide for local control in the development of the local service design and a cooperative working relationship between MVRTA and private transportation providers. These important features are described below.

A. Self-Selecting Membership

Cities and towns are free to choose to join or not join MVRTA. Member communities can also vote to withdraw from MVRTA or switch to another Authority. This discontinuation or change in membership can be made by a vote of residents at a regular election. It should be noted, though, that while this option exists, no community has actually felt the need to withdraw from MVRTA. This ability to fully control community participation in MVRTA is an example of local control.

B. Local Control of Service Design and Community Assessments

In addition to being able to control their membership in MVRTA, cities and towns also determine the type and level of service they receive. As appropriate, communities can request fixed route service, paratransit service, or both, and can specify the days and hours of operation and other level of service

features. Member communities therefore pay only for the service they specifically request. Communities may even elect to receive no service and be assessed no share of operating costs.

C. Requirement for Contracted Operations

Chapter 161B also requires MVRTA to contract for the operation of service and, periodically, the management and operation of fixed route service and paratransit is competitively purchased.

D. MVRTA Funding

MVRTA services are funded by a combination of federal, state and local subsidies and revenues generated from fares and other miscellaneous sources such as advertising on transit vehicles. The primary sources of public capital and operating funds which are currently utilized by the MVRTA are described below, along with the mechanism by which state and local funds are distributed to the MVRTA.

1. Federal Funding – Capital Assistance

The federal government funds public transportation services through a number of discretionary and formula grant programs.

a. USC Sec. 5307: Urbanized Area Formula Program

Capital funds are provided for the purchase of vehicles and equipment, and the construction and rehabilitation of garages, terminals and other facilities. Capital funds may be used to subsidize preventive maintenance costs and the cost associated with Americans with Disabilities Act Service. These grants provide up to 80% of the costs of a capital project and for preventive maintenance and ADA expenses; the remaining costs of a capital project are required to come from non-federal sources. Section 5307 is the principal source of federal assistance for MVRTA.

2. State and Local Funding – Operating Assistance

With the passage of the Transportation Finance Bill in June 2013, State Contract Assistance would be Forward Funded starting in FY 2015. State Assistance would be made available in three payments during the fiscal year. The FY 2015 Annual Report will provide a description of this process. The narrative below describes the funding process included in Chapter 161B for FY 2014.

b. Net Cost of Service

At the close of each fiscal year, the amount remaining after the deduction of federal assistance, farebox revenue, and income from other sources such as advertising on vehicles from MVRTA's operating expenses is known as the "net cost of service." Chapter 161B originally provided for an even division of the annual net cost of service between the Commonwealth and the local cities and towns that receive service. In 1983, the maximum state share of MVRTA's net cost of service was increased to 66.7%; in 1986, the maximum state share was increased to its present level of 75 percent.

Because the state and local funds are paid to MVRTA to fund the previous year's service, and because federal funds do not usually become available until some point in the middle of the fiscal year to which they apply, MVRTA needs to issue short-term Revenue Anticipation Notes (RANs) to fund current operations.

The state share is paid to MVRTA through what is known as State Contract Assistance. An advance payment of 90% of MVRTA's estimated contract assistance is made shortly after the close of the fiscal year. The remaining 10% is not paid until the completion and review of a certified audit. Contract assistance is appropriated annually by the State Legislature.

The local share of the MVRTA's net cost of service, which is financed through property tax revenues, is assessed upon the member cities and towns by the State Treasurer, and then deducted from the distribution of local aid made by the State Comptroller to the communities through the "cherry sheets." Proposition 2 ½ limits the growth in local assessments to 2.5% of the previous year's assessments, excluding any increase due to the institution of new services.

When the MBTA "forward funding" legislation was passed in calendar year 2000, the MBTA District was expanded to include 190 cities and towns. This expanded district includes all Merrimack Valley communities. This expansion was designed to broaden the assessment base of the MBTA. Included in this legislation, however, was the provision that a 100% credit be given by the MBTA to any community within a RTA district receiving RTA services. As an example, in FY 2014 Community A has a RTA assessment of \$100 and a MBTA assessment of \$50, then Community A receives a 100% credit and no MBTA assessment. Conversely, Community B has a RTA assessment of \$100 but a MBTA assessment of \$150, then Community B receives a credit for \$100, and pays the MBTA \$50. However, in Community B's case, there is the option to add \$50 more of MVRTA service and receive the 100% credit.

c. State Funding – Capital Assistance

State assistance for MVRTA capital projects is available through two programs financed with state transportation bond funds: the Regional Transit Authority Capital Assistance program (RTACAP) and Transportation Development Credits (TCU), often called 'toll credits'.

RTACAP, which was begun in 1986, funds projects such as the purchase or rehabilitation of vehicles and the construction or renovation of facilities. MVRTA, with access to federal capital assistance, has used RTACAP funds to provide the non-federal share (typically 20%) of capital projects.

III. Description of Services

The MVRTA provides several types of transportation service for its member communities. This includes fixed route service, paratransit service for seniors and persons with disabilities, a seasonal bus route to Salisbury and Hampton Beach, and commuter service to Boston. Each of these services is described below.

A. Local Fixed Route Bus Service

The MVRTA fixed route bus system is comprised of 24 routes serving the communities of Lawrence, Haverhill, Methuen, Andover, North Andover, Merrimac, Amesbury, Newburyport, and Salisbury. Five different types of fixed route service are provided, as follows:

- 16 local routes
- 4 intercity (Haverhill/Lawrence; Lawrence/Lowell; Haverhill/Amesbury; and, Amesbury/Salisbury)
- 1 seasonal route (Lawrence, Methuen, Haverhill, Merrimac, Amesbury to Salisbury and Hampton Beach).
- 3 weekday employment routes in Lawrence and Haverhill providing service to major employers such as Raytheon and the IRS plus an employment route from Lawrence to the River Road area of Andover.

With the exception of the special employment runs, fixed route service is operated Monday through Saturday. On weekdays, eleven (11) Lawrence-based routes operate between 5:00 a.m. and 7:00 p.m. and four (4) Haverhill-based routes operate between 5:30 a.m. and 6:30 p.m. On Saturdays, eleven (11) Lawrence-based routes operate between 7:00 a.m. and 7:00 p.m. while Haverhill-based routes operate between 8:00 a.m. and 5:00 p.m.

Currently, service is not offered on 10 holidays. These include New Year's Day, Martin Luther King Day, Presidents' Day, Patriots' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Thanksgiving, and Christmas. Service on a Saturday schedule is provided on Veteran's Day.

Service frequency on weekdays is provided at thirty minute peak hour (5:30 a.m. – 8:30 a.m. and 2:30 p.m. – 5:30 p.m.) and sixty minute off-peak frequency (8:30 a.m. – 2:30 p.m. and 5:30 p.m. – 7:00 p.m.) on 11 Lawrence-based routes. On the intercity routes between Lowell, Lawrence, and Haverhill, service is every thirty minutes. The intercity routes between Haverhill/Amesbury and Newburyport/Salisbury operate on 70 minute frequencies. On Saturdays, Lawrence-based routes operate on a 60 minute frequency while Haverhill-based routes operate on a 90 minute frequency with the Newburyport-based routes every 70 minutes.

The MVRTA was one of the first transit authorities in the state to embrace the policy of providing fixed route bus service that is accessible to persons with disabilities. Long before the 1990 Americans with Disabilities Act, the MVRTA committed to purchasing buses that were wheelchair-lift equipped. As a result, starting in 1988, all of the MVRTA's fixed route buses have been lift-equipped, and the service is fully accessible to persons with disabilities.

B. Transportation for Seniors and Persons With Disabilities

To better serve persons with disabilities who are unable to use fixed route bus service and for senior citizens, the MVRTA offers EZ Trans Service, a shared-ride van service.

C. Ring and Ride Service

This flexible service is provided in the towns of Georgetown, Groveland, Boxford, Newbury, and West Newbury and serves the general population and persons over 60, respectively, depending on the community.

D. Ring and Ride Route 42, 22, and 54

This flexible service is provided along former bus Routes 42 in Methuen and 22 in Andover and a portion of Route 54 in Newburyport.

E. Commuter Bus Service to Boston

Commuter Bus Service from the Methuen Park and Ride, McGovern Transportation Center in Lawrence, and Shawsheen Square, and Faith Lutheran Park and Ride in Andover to Boston is provided on weekdays with four inbound and four outbound trips. Buses leave the Methuen Park & Ride at 6:00, 6:30, 7:00, and 7:15 a.m. and return from Boston at 5:00, 5:15, 5:30, and 6:00 p.m.

APPENDIX B

Service Summary

A. Local Bus Service

- 1. Communities Served**
- 2. Service Information**
- 3. Ridership by Route FY 2010 - 2014**

B. Special Services Trips by Community

C. Ring & Ride Trips Provided

D. Boston Commuter Service Information

E. Fare Schedule FY 2015

A. Local Bus Service

1. Communities Served:

Haverhill, Lawrence, Methuen, Andover, North Andover, Amesbury, Newburyport, Merrimac, and Salisbury.

2. Service Information

		Actual FY 2014	Projected FY 2015
1.	Number of buses	47	47
2.	Number of buses with wheelchair lifts	47	47
3.	Number of buses in service:		
	Weekdays (peak hours)	38	39
	Saturdays	19	19
	Sunday	0	16
4.	Revenue miles	1,314,295	1,460,931
5.	Number of passengers	2,024,281	2,085,000

RIDERSHIP BY ROUTE

	ROUTE	FY 10	FY 11	FY 12	FY 13	FY 14	
<i>Haverhill Based Routes</i>	13 Main Street/North Avenue	41,832	41,043	44,377	48,437	54,063	
	14 Ward Hill/ Bradford	22,344	22,376	26,797	30,886	31,368	
	15 Hilldale Avenue	19,466	19,332	19,287	23,077	23,115	
	16 Washington Street	26,742	25,755	25,689	34,277	36,397	
	18 Riverside	29,051	28,837	30,490	30,491	31,782	
	19 Summer Street/Westgate Plaza	82	7	15	0	0	
	51 Haverhill/Newburyport	135,450	137,491	128,032	122,358	117,888	
	54 Ames/Nbpt/Salis	0	666	74,725	88,047	82,776	
	56 NECCO Express					13,795	
		TOTALS	274,967	275,507	349,412	377,573	391,184
<i>Lawrence Based Routes</i>	01 Lawrence/NECC	303,963	322,587	341,047	344,473	362,949	
	32 Andover	99,577	96,744	102,181	98,461	98,999	
	33 North Andover	66,278	66,359	76,083	79,829	90,089	
	33A N.A. Shuttle	0	0	1,584	1,099	1,518	
	34 Prospect Hill	87,433	87,020	91,870	89,974	86,043	
	35 Water Street	104,990	103,668	105,203	101,620	101,251	
	36 Holy Family	109,440	102,053	109,614	117,820	116,408	
	37 Beacon Street	104,807	107,735	107,788	101,049	98,750	
	38 Hampshire Street	29	3	0	0	0	
	39A Colonial Heights	120,644	135,577	135,541	138,216	133,943	
	39B Philips Street	136,144	121,345	110,831	103,192	106,539	
	40 Methuen Square	95,330	97,561	99,012	102,734	112,705	
	41 Lawrence / Lowell	217,837	217,130	239,634	244,943	262,904	
		TOTALS	1,446,472	1,457,782	1,520,388	1,523,410	1,572,098
	<i>Employment Routes</i>	Haverhill	11,922	13,186	14,943	15,186	12,498
Lawrence		5,145	4,612	4,643	4,923	6,755	
76 River Road		0	0	0	7,495	15,827	
		17,067	17,798	19,586	27,604	35,080	
<i>Andover Routes</i>	21 Andover Shuttle	16,817	16,231	18,994	21,965	22,039	
<i>Summer Route</i>	83 Salisbury/Hampton Beaches	3,366	3,500	3,913	4,115	3,880	
	TOTALS	1,758,689	1,770,818	1,912,293	1,954,667	2,024,281	

B. Special Services Trips: EZ Trans Service

ADA

NON ADA

	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Amesbury	3,252	3,192	3,051	2,381	2,280	564	673	1,193	1,204	523
Andover	2,531	2,111	2,510	2,758	2,822	412	582	359	383	656
Haverhill	8,718	10,164	12,395	13,385	12,937	1,324	901	955	382	536
Lawrence	6,638	6,441	6,807	5,990	6,786	1,518	1,382	988	769	738
Merrimac	668	338	806	1,345	1,348	46	12	36	38	62
Methuen	15,499	14,441	15,418	14,686	14,868	8,688	8,939	8,925	8,529	7,857
Newburyport	268	822	1,122	1,231	1,307	6	6	6	75	53
N. Andover	3,480	4,207	3,565	3,769	3,417	691	883	980	954	1,070
Salisbury		39	1,972	1,745	1,896		23	211	273	328
TOTALS	41,054	41,755	47,646	47,290	47,661	13,249	13,401	13,653	12,607	11,823

TOTAL ADA / NON-ADA

	2010	2011	2012	2013	2014
Amesbury	3,816	3,865	4,244	3,585	2,803
Andover	2,943	2,693	2,869	3,141	3,478
Haverhill	10,042	11,065	13,350	13,767	13,473
Lawrence	8,156	7,823	7,795	6,759	7,524
Merrimac	714	350	842	1,383	1,410
Methuen	24,187	23,380	24,343	23,215	22,725
Newburyport	274	828	1,128	1,306	1,360
N. Andover	4,171	5,090	4,545	4,723	4,487
Salisbury		62	2,183	2,018	2,224
TOTALS	54,303	55,156	61,299	59,897	59,484

C. Ring and Ride (Trips Provided)

SERVICE	FY 10	FY 11	FY 12	FY 13	FY 14
Salisbury ⁽¹⁾	4,785	4,283	0	0	209
Georgetown	1,910	2,254	3,804	2,988	3,240
Groveland	1,319	778	965	1,610	1,903
Boxford	131	246	146	625	466
West Newbury	469	279	139	143	115
Rte 42	815	560	354	360	401
Rte 22	0	0	0	0	0
Newbury	533	536	182	616	448
Rte 54 Newburyport	448	170	6	6	5

Note: ⁽¹⁾ In FY 2013, Salisbury Ring & Ride was replaced by Route 54.

D. Boston Commuter Bus

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
<u>Weekdays of Service</u>	250	253	250	250	250
<u>Revenue Hours</u>	5,271	5,292	5,167	5,167	4,391
<u>Revenue Miles</u>	52,710	52,920	56,985	56,985	73,266
<u>Passengers</u>	45,052	48,749	52,175	63,470	63,207

FARE SCHEDULE FOR FY 2015

<u>Service</u>	<u>Fare Category</u>	<u>Cash Fares</u> (one way)
A. Local Bus		
	Full Fare	\$ 1.25
	Senior Citizens Age 60 and over	\$.60
	Transportation Disabled	\$.60
	Students — ages 13 - 17 on school days from 7 - 8:30 a.m. and 2 - 3:30 p.m.	\$.60
	Children — ages 6 - 12	\$.60
	Children — ages 5 and under with an adult	Free
	Transfers	Free
	Salisbury Beach (seasonal July-August)	\$ 2.00
	Hampton Beach (seasonal July-August)	\$ 3.00
		<u>Present</u>
	<u>Passes</u>	<u>Cost of Pass</u>
	31 Day Unlimited Ride	
	Full Fare	\$ 30.00
	Half Fare	\$ 15.00
	Full Fare Day Pass	\$ 3.00
	Half Fare Day Pass	\$ 1.50
	<u>Stored Value Fares</u>	<u>Charlie Card</u>
	Adult	\$ 1.00
	Senior / Disabled	\$.50
	Salisbury Beach	\$ 2.00
	Hampton Beach	\$ 3.00

ATTACHMENT B-7
(continued)

One Way
Cash Fare

B. EZ Trans

1. ADA Service

- a. Trip within $\frac{3}{4}$ mile bus corridor \$2.00 ⁽¹⁾
(Service Area: Lawrence, Methuen, Andover, No. Andover, Haverhill, Amesbury, Newburyport, Merrimac, Salisbury)
- b. Trip between any community within $\frac{3}{4}$ mile bus corridor \$2.00 ⁽¹⁾

(1) Ticket books are available for 10 or 20 rides priced at \$20 or \$40 respectively

2. Non ADA Service

- a. Trip within a community by zone ⁽²⁾
- b. Trip between any community by zone ⁽²⁾
(See fare schedule below)

⁽²⁾ \$3.00 Travel within one zone; **10 and 20 ride ticket books are being sold through Councils on Aging or by mail for \$2.00 per ticket or \$20 and \$40 per book**

EZ TRANS NON-ADA SERVICE FARE SCHEDULE
EFFECTIVE 7/1/02
CASH FARE (One Way)

	Hav	Law	Meth	And.	No. And.	Ames.	Nbpt	Merrimac
Haverhill	3.00	5.00	5.00	5.00	5.00	5.00	5.00	3.00
Lawrence	5.00	3.00	3.00	3.00	3.00	9.00	9.00	5.00
Methuen	5.00	3.00	3.00	3.00	3.00	9.00	9.00	5.00
Andover	5.00	3.00	3.00	3.00	3.00	9.00	9.00	5.00
No. Andover	5.00	3.00	3.00	3.00	3.00	9.00	9.00	5.00
Amesbury	5.00	9.00	9.00	9.00	9.00	3.00	3.00	5.00
Newburyport	5.00	9.00	9.00	9.00	9.00	3.00	3.00	5.00
Merrimac	3.00	5.00	5.00	5.00	5.00	5.00	5.00	3.00

- Zone A: Lawrence, Methuen, Andover, No. Andover
- Zone B: Haverhill, Merrimac
- Zone C: Amesbury, Newburyport

C. Ring & Ride

- | | |
|---|--------|
| 1. Rte. 42 West Methuen Ring & Ride Service,
Rte. 22 Andover/Ballardvale | \$2.00 |
| 2. Ring & Ride Service: Georgetown, Groveland
Boxford, West Newbury, Newbury | \$2.00 |

D. Commuter Bus

Cash Fare	\$6.00
Pass (10-ride)	\$5.00
Tap and Ride	\$5.00

APPENDIX C

PROGRAM FOR MASS TRANSPORTATION

A. **Bus Service**

Various improvements have been identified for the Fixed Route Bus Service provided to member cities and towns. Available financing will be secured before these improvements are implemented.

SERVICE TYPE	FY 2015	FY 2016
A. Expand Service Hours for Haverhill-based Routes and Reduce Frequency		
1. Weekday: 5:00 a.m. to 8:00 p.m. Saturday 7:00am-7:00pm		X
2. 60 minute weekday 60 minute service Saturday.		X
B. Add Service on Washington’s Birthday MLK Day, Patriot’s Day – Saturday Schedule, all Routes	X	
C. Restore two-hours of peak service on Lawrence-based Routes removed in FY 2010 and extend service to 9:00 P.M.		X
D. Add Sunday Service, All local Routes On a Saturday Schedule (except Haverhill)	X	
E. Add one trip at 4:45 PM Outbound to the Boston Commuter Bus Service	X	

B. **Elderly and Disabled Transportation**

Continue provision of ADA and Non – ADA service in MVRTA communities receiving fixed route service in FY 2015

C. **Ring and Ride**

Continue to provide this service and review during FY 2015

D. **Boston Commuter Service**

Continue provision of service to Boston during FY 2015

**MERRIMACK VALLEY REGIONAL
TRANSIT AUTHORITY**

Financial Statements

And

Auditor's Reports

June 30, 2014

**MERRIMACK VALLEY REGIONAL
TRANSIT AUTHORITY**

(A Component Unit of the Massachusetts Department of Transportation)

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEAR ENDED JUNE 30, 2014

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Year Ended June 30, 2014

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ROLAND P. LAMBALOT, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the
Merrimack Valley Regional Transit Authority

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Authority as of June 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included on pages 22 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Roland P. Lambalot, PC

Methuen, Massachusetts
September 25, 2014

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

Required Supplementary Information
Management's Discussion and Analysis

The following is offered to the readers of the Merrimack Valley Regional Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Merrimack Valley Regional Transit Authority (the Authority) during the fiscal year ended June 30, 2014. Please read this discussion and analysis in conjunction with the Authority's financial statements which begin on page 8.

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 Joseph J. Costanzo, Administrator, Merrimack Valley Regional Transit Authority, 85 Railroad Avenue, Haverhill, Massachusetts 01835.

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 11 through 20 of the report.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management's Discussion and Analysis

Condensed Financial Information

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

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 9,994,217	\$ 14,059,258
Capital assets, net	64,358,489	65,719,250
Total assets	<u>74,352,706</u>	<u>79,778,508</u>
Current liabilities	8,680,748	12,644,379
Long term liabilities	1,196,441	1,297,851
Total liabilities	<u>9,877,189</u>	<u>13,942,230</u>
Net position:		
Invested in capital assets, net of related debt	64,358,489	65,719,250
Restricted	117,028	117,028
Unrestricted	-	-
Total net position	<u>\$ 64,475,517</u>	<u>\$ 65,836,278</u>
Operating revenue		
Revenue from transportation	\$ 1,640,283	\$ 1,696,565
Other	1,343,608	722,232
Total operating revenues	<u>2,983,891</u>	<u>2,418,797</u>
Operating expenses:		
Transportation services	12,700,759	11,810,277
Other operating expenses	1,535,505	1,887,827
Total operating expenses, excluding depreciation	<u>14,236,264</u>	<u>13,698,104</u>
Depreciation and amortization	3,437,304	3,373,536
Total operating expenses, including depreciation	<u>17,673,568</u>	<u>17,071,640</u>
Operating loss	<u>(14,689,677)</u>	<u>(14,652,843)</u>
Net nonoperating revenue	<u>11,252,373</u>	<u>11,279,307</u>
Loss before capital grants	(3,437,304)	(3,373,536)
Capital grants and contributions	2,076,543	1,218,370
Change in net position	<u>(1,360,761)</u>	<u>(2,155,166)</u>
Beginning of year net position	65,836,278	67,991,444
End of year net position	<u>\$ 64,475,517</u>	<u>\$ 65,836,278</u>

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management's Discussion and Analysis

Financial Highlights

The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by \$64,475,517. The Authorities total net position decreased by \$1,360,761 mainly due to the depreciation of capital grant 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 increased \$16,128, or 1.0%, due to a increase in ridership during the year.
- Total operating expenses, excluding depreciation, increased by \$538,160, or 3.9%, due to increased services and operating expenses.
- Revenues from assessments from member municipalities increased by 2.5% as allowed by law plus the cost of new services.
- Federal operating assistance and state contract assistance increased. Federal and state capital assistance increased.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2014 amounted to \$64,358,489 (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:

Transit equipment	\$ 1,623,450
Building and improvements	242,075
Service equipment	44,954
Electric equipment	142,871
Office equipment	23,193
	<u>\$ 2,076,543</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 revenue anticipation notes outstanding, a decrease of \$4,000,000 from the prior year.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management's Discussion and Analysis

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. Local assessments can make up to 50% of the Authority's net cost of service, but must subsidize at least 25% of the net cost of service. The remaining net cost of service, after local assessments, is funded by the Commonwealth. The Commonwealth will fund a minimum of 50% and a maximum of 75% of the Authority's net cost service. This portion of the net cost of service is funded a year in arrears by the Commonwealth (the Authority's fiscal 2013 assistance was included in the State's fiscal 2014 budget). Effective with fiscal 2014 the State has changed its funding policy to provide assistance currently as opposed to reimbursing as in prior years.

The Authority, working with the City of Newburyport, continued preliminary design for an Intermodal Transit Parking Facility. During FY 2014, work was completed on a revised Section 106 historical submittal for the Federal Transit Administration. This submittal was provided by FTA to Massachusetts Historical Commission for approval. This approval was received at the close of the fiscal year.

During the fiscal year, the Authority completed these capital projects:

- Completed the replacement of 4 supervisory vehicles.
- Completed a Bus Engine Refurbishment program on seventeen (17) Model Year 2004 Transit Buses.
- Completed the delivery of three (3) new Commuter Buses.
- Completed a State of Good Repair project at the Authority's Office/Maintenance Facility.
- Participated in a joint bus/van procurement with several other RTAs.

During the Fiscal Year, the Authority implemented the following new services:

- Improved weekday frequency on Route 01 between Lawrence, Methuen, and Haverhill and Route 41, Lawrence and Lowell to 30 minutes to accommodate customer need for added service. Ridership increased by 6.5% on Route 01 and 7.8% on Route 41 over FY 2013.
- Started a partnership shuttle bus service with Northern Essex Community College to connect the Lawrence and Haverhill campuses. NECC pays the \$1.00 fare for each student that rides. A total of 13,754 students used this service during the fiscal year.
- Provided bus service on Veteran's Day, 11/11/2013.

In Fiscal Year 2015, the Authority will transition to Forward Funding of State Contract Assistance.

In the Fiscal Year 2015, the Authority will implement the following new services:

- Provide bus service on three additional holidays, i.e., President's Day, Martin Luther King Day, and Patriots Day.
- Provide new shuttle bus route in the City of Lawrence.
- Continue the NECC partnership shuttle bus service.
- Provide on additional outbound trip at 4:45pm to the Boston Commuter service to accommodate additional customer demand.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management's Discussion and Analysis

- For the first time since 1959, Sunday bus service will be provided on a Saturday schedule on most routes.

In Fiscal Year 2015, the Authority will undertake these Capital Projects:

- Purchase and install a new bus/van communication system.
- Complete the joint bus/van procurement with several RTAs and place orders for replacement buses and vans.
- Receive approval of a FTA grant to undertake several State of Good Repair projects at the MVRTA Office/Maintenance Facility and the McGovern Transportation Center.

Fixed Route ridership increased from 1,758,689 passengers in FY 2010 to 1,770,618 in FY 2011, increased to 1,912,293 in FY 2012, increased to 1,954,667 in FY 2013, and increased to 2,024,281 in FY 2014.

Ridership on the Boston Commuter Bus increased from 44,052 in FY 2010 to 48,749 in FY 2011, increased to 52,175 in FY 2012, increased to 63,470 in FY 2013 and decreased to 63,207 in FY 2014.

Ridership for Special Services Transportation decreased from 64,713 in FY 2010 to 64,262 in FY 2011, increased to 66,895 in FY 2012, decreased to 66,245 in FY 2013, and increased to 66,271 in FY 2014.

See accompanying independent auditor's report

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2014

Assets

Current assets:

Unrestricted cash and cash equivalents (note 2)	\$ 4,363,310
Receivables:	
Federal operating assistance	159,890
Federal capital assistance	246,592
Local assessments	3,309,942
Due from carrier	114,513
Other	210,684
Deferred costs	101,125
Total current assets	<u>8,506,056</u>

Non-current assets:

Restricted cash and cash equivalents (notes 2 and 12)	117,028
Bond reserve account	150,000
Deferred costs	1,221,133
Capital assets, net (note 4)	64,358,489
Total non-current assets	<u>65,846,650</u>
Total Assets	<u>\$ 74,352,706</u>

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$ 579,623
Revenue anticipation notes payable (note 5)	8,000,000
Revenue bond - current portion (note 6)	101,125
Total current liabilities	<u>8,680,748</u>

Long-term liabilities:

Revenue bond (note 6)	<u>1,196,441</u>
Total liabilities	<u>9,877,189</u>

Net Position

Net investment in capital assets	64,358,489
Restricted (note 12)	117,028
Unrestricted	-
Commitments and Contingencies (note 10)	-
Total net position	<u>\$ 64,475,517</u>

See accompanying notes to the financial statements

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2014

Operating Revenues:	
Passenger fares	\$ 1,640,283
Terminal revenues	856,334
Other Income	487,274
	<hr/>
Total operating revenues	2,983,891
	<hr/>
Operating Expenses:	
Transit service (note 13)	12,700,759
Terminal expenses	1,105,348
Administrative and general	336,163
Professional services	93,994
Depreciation	3,437,304
	<hr/>
Total operating expenses	17,673,568
	<hr/>
Operating loss	(14,689,677)
	<hr/>
Non-operating revenues (expense)	
Federal operating assistance	2,822,390
Commonwealth of Massachusetts contract assistance	5,943,284
Local Assessments	2,591,333
Interest income	2,731
Interest expense	(107,365)
	<hr/>
Total non-operating revenues	11,252,373
	<hr/>
Loss before capital grants	(3,437,304)
	<hr/>
Capital Grants:	
Federal	1,827,358
Commonwealth of Massachusetts	249,185
	<hr/>
Total capital grants	2,076,543
	<hr/>
Change in net position	(1,360,761)
	<hr/>
Net position, beginning of year	65,836,278
	<hr/>
Net position, end of year	\$ 64,475,517
	<hr/> <hr/>

See accompanying notes to the financial statements

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

Year ended June 30, 2014

Cash flows from operating activities:	
Passenger fares	\$ 1,640,283
Terminal revenues	856,334
Other cash receipts	121,506
Payments to operators	(12,683,680)
Payments to other vendors	(1,418,110)
Payments to employees for services	(221,770)
Net cash used in operating activities	<u>(11,705,437)</u>
Cash flows from non-capital financing activities:	
Proceeds from sale of revenue anticipation notes	8,000,000
Principal paid on revenue anticipation notes	(12,000,000)
Principal paid on revenue bond	(96,498)
Interest paid on revenue anticipation notes	(109,171)
Operating and contract assistance	17,384,510
Net cash provided by non-capital financing activities	<u>13,178,841</u>
Cash flows from capital and related financing activities:	
Capital grants	2,284,846
Purchase of capital assets	(2,076,543)
Net cash used by capital and related financing activities	<u>208,303</u>
Cash flows from investing activities:	
Interest income	2,731
Net cash provided by investing activities	<u>2,731</u>
Change in cash and cash equivalents	1,684,438
Cash and cash equivalents, beginning of year	<u>2,945,900</u>
Cash and cash equivalents, end of year	<u>\$ 4,630,338</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,689,677)
Adjustments:	
Depreciation	3,437,304
Recovery of bad debts	(365,768)
Changes in assets and liabilities	
Local assessment and other receivables	(7,669)
Deferred costs	12,580
Accounts payable and deferrals	(92,207)
Net cash used in operating activities	<u>\$ (11,705,437)</u>

See accompanying notes to the financial statements

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2014

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

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

A. Reporting Entity

The Authority, a political subdivision of the Commonwealth of Massachusetts (the Commonwealth), was established in accordance with Chapter 161B of the Massachusetts General Laws to provide a public transit system for the territory comprised of the cities of Lawrence, Haverhill, Methuen, Newburyport and Amesbury, and the towns of Andover, Rowley, Boxford, Merrimac, North Andover, Groveland, Newbury, West Newbury, Georgetown and Salisbury. In accordance with requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board* (GASB), the financial statements must present the Authority (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Massachusetts Department of Transportation.

B. Basis of Accounting

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

C. Budget

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

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2014

D. Cash and Cash Equivalents

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

E. Compensated Absences

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

F. Capital Assets

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

G. Depreciation

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

Buildings	20-40 years
Vehicles	5-12 years
Passenger Shelters	5 years
Furniture, fixtures and equipment	5-7 years

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

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 consisted of a collateralized repurchase agreement and grants receivable were due from Federal, State and local assessments. The Authority considers the credit risk associated with financial instruments to be minimal.

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June 30, 2014

J. New Accounting Pronouncements

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

Note 2. Cash and Cash Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or Agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust ("MMDT"). Certain cash and investments are segregated from operating cash due to certain internal or external restrictions. These funds consist of those required by bond reserve requirements and state allowed reserves.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority does not have a deposit policy for custodial risk. As of June 30, 2014 \$4,522,690 of the government's bank balance of \$4,772,690 was exposed to custodial credit risk as uninsured and uncollateralized.

Note 3. Grants

Under various sections of MAP-21, the United States Department of Transportation approves capital grants to fund up to 80% of the Authority's capital improvement projects. The remaining portion of approximately 20% will be financed through the 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 2014 was \$5,871,851. The state operating contract assistance receivable, in the accompanying Statement of Net Assets in prior years, was inclusive of \$827,223 related to funds due from the Commonwealth for prior years; this amount was received as part of the forward funding process.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2014

Note 4. Capital Assets

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

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated:				
Land	\$ 4,198,534	-	-	4,198,534
Construction in progress	8,917,021	129,022	8,252,843	793,200
	<u>13,115,555</u>	<u>129,022</u>	<u>8,252,843</u>	<u>4,991,734</u>
Total capital assets not being depreciated				
Other capital assets:				
Buildings and improvements	53,345,925	8,365,895	-	61,711,820
Buses - revenue vehicles	19,420,977	1,623,450	-	21,044,427
Service equipment	1,199,365	44,954	-	1,244,319
Electronic equipment	2,771,668	142,871	-	2,914,539
Passenger shelters	53,725	-	-	53,725
Furniture & fixtures	280,746	23,194	-	303,940
	<u>77,072,406</u>	<u>10,200,364</u>	<u>-</u>	<u>87,272,770</u>
Total other capital assets at historical cost				
Less accumulated depreciation for:				
Buildings and improvements	11,625,455	1,514,744	-	13,140,199
Buses - revenue vehicles	10,107,361	1,479,999	-	11,587,360
Service equipment	990,821	70,258	-	1,061,079
Electronic equipment	1,421,383	364,636	-	1,786,019
Passenger shelters	53,725	-	-	53,725
Furniture & fixtures	269,966	7,667	-	277,633
	<u>24,468,711</u>	<u>3,437,304</u>	<u>-</u>	<u>27,906,015</u>
Total accumulated depreciation				
Other capital assets, net	<u>52,603,695</u>	<u>6,763,060</u>	<u>-</u>	<u>59,366,755</u>
Total capital assets, net	<u>\$ 65,719,250</u>	<u>6,892,082</u>	<u>8,252,843</u>	<u>64,358,489</u>

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements

June 30, 2014

Note 5. Revenue Anticipation Notes

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

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

Beginning balance	\$ 12,000,000
New notes issued	8,000,000
Notes retired	<u>(12,000,000)</u>
Ending balance	<u>\$ 8,000,000</u>

The \$8,000,000 of RANS were issued on June 20, 2014, carry interest rates between 0.40% and 1.00% and are due June 19, 2015. The Authority uses the proceeds of these notes to fund its mass transit operations.

Note 6. Revenue Bond

Financing of \$2,000,000 for the McGovern Transportation Center was obtained through the Massachusetts Development and Finance Agency. This funding is in the form of a revenue bond that was effective July 1, 2004 and was interest only at a rate of 4.99% through September 1, 2005. The bond converted to an amortization schedule with the first monthly payment of \$13,667 due on October 1, 2005. The initial interest rate was subject to change on July 1, 2009. The new rate is 4.048% with a monthly payment of \$12,573. The bond is secured by all net revenues generated by the parking garage. The bond also contains a debt service reserve fund requirement of \$150,000. The scheduled maturity of the bond is as follows:

2015	\$ 101,125
2016	105,296
2017	109,638
2018	114,159
2019	118,867
2020-2024	672,037
2025	76,444

Note 7. Retirement Plans

A. Plan Description

Effective July 1, 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 Lawrence Retirement System. Contributions to the system commenced in fiscal 2010.

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June 30, 2014

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

B. Funding Policy

Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Authority is required to pay into the Retirement System its share of the systemwide actuarially determined contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth reimburses the Retirement System for a portion of benefit payments attributed to cost-of-living increases granted prior to July 1, 1998. Chapter 32 of the MGL governs the contributions of plan members and the Authority. The Authority's contribution to the Retirement System for the year ended June 30, 2014 was \$61,345, which equaled its required contribution for the year.

The Authority also administers a deferred compensation plan through which employees can participate in a voluntary, payroll-deducted retirement program created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death approved or unforeseeable emergency. All amounts of compensation deferred, property purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries.

Note 8. 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 or in any other year.

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

Health insurance benefits for employees are provided through a health maintenance organization. The Authority's contributes 75% of the premium cost for employees. In 2014, expenditures for the Authority's share of health insurance contributions were \$43,688. The Authority purchases insurance for worker's compensation for its employees.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

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Notes to Financial Statements

June 30, 2014

Note 9. Disaggregation of Payable Balances

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

Accounts payable general vendors	\$ 394,347
Accrued expenses	81,303
Accrued payroll expenses	82,143
Accrued interest	21,830
	<u>\$ 579,623</u>

Note 10. Commitments and Contingent Liabilities

A. Capital Investment Program

The Authority's capital investment continuing program for mass transportation development has projects in service and in various stages of approval, planning, and implementation. The following table shows, as of June 30, 2014, capital projects costs approved, expenditures against these projects, and estimated costs to complete these projects, as well as the major funding sources.

<u>Funding Source</u>	<u>Approved project costs</u>	<u>Expenditures through June 30, 2014</u>	<u>Unexpended costs</u>
Federal grants	\$ 12,263,677	9,350,415	2,913,262
State and local sources	2,310,741	1,521,203	789,538
Total	<u>\$ 14,574,418</u>	<u>10,871,618</u>	<u>3,702,800</u>

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

B. Legal and Other

The Authority is a defendant in various litigations. Although the outcomes of these matters are not presently determinable, in the opinion of the Authority's management, the resolution of these matters will not have a material adverse effect on the financial condition of the Authority, except as noted.

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June 30, 2014

The United States Environmental Protection Agency has named Ryder Truck Rental, Inc. (“Ryder”) as a Potentially Responsible Party with respect to the contribution of waste oil and the cleanup of releases of waste oil at and from the Beede Waste Oil Superfund Site in Plaistow, New Hampshire (the “Beede Site”). First Transit, Inc. (“First Transit”), a subsidiary of Ryder which provides transit management services to the Authority under an agreement with the Authority, claims that the Authority is required contractually to indemnify First Transit for attorneys’ fees and certain clean-up costs that First Transit and its related legal entities allegedly have or will incur concerning the Beede Site pursuant to terms of the agreement in connection with the management or operations of the Authority’s transit system. The Authority denies that indemnification is owed to First Transit. The Parties have discussed potential settlement concerning First Transit’s claims and have entered into a tolling agreement to allow for continued negotiations. We will vigorously defend the Authority’s position in this matter. We are unaware of the Authority having been named as a Potentially Responsible Party. The Authority has not been compelled to take remediation action, nor has it been named in a lawsuit, with respect to these releases or the requested indemnification. While no formal claim has been brought and there has not been any recent activity or action, we continue to monitor this matter.

In regards to the retirement plan identified in Note 7, the Authority’s employees are participants in litigation initiated by the Lawrence Retirement Board. The case involves a claim by employees of the Authority that they are entitled to certain creditable service, at no charge, for retirement purposes. The state Public Employee Retirement Administration Commission (“PERAC”) indicated that these employees were entitled to such a credit at no charge to them individually, and the Lawrence Retirement Board disagreed. The state Contributory Retirement Appeals Board (“CRAB”) and the Superior Court have both agreed with PERAC’s determination, and the Retirement Board has appealed this issue to the Appeals Court. While the individual employees’ ability to obtain credit for past service at no cost to the individual employees has thus far been upheld, it has been suggested during the legal proceedings that some amount, as of yet uncalculated and assessed, is owed by the Authority to compensate the Retirement Board for its “unfunded liability” as a result of the employees receiving creditable service at no charge. It does not appear that the Appeals Court will have occasion to directly address this issue, but if the CRAB determination is upheld on appeal, it is possible that the Authority will be assessed some additional (as yet undetermined) amount, at some point in the future, once the affected individuals retire.

The Authority participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the Authority’s management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

The Authority has entered into a five year agreement for management services effective July 1, 2012. Annual fees start at \$689,187.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

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Notes to Financial Statements

June 30, 2014

C. Fuel Hedges

The Authority had two hedges outstanding at June 30, 2014 that started on June 4, 2014 and will continue through June 30, 2015. The aggregate notional amount for dyed ultra low sulfur diesel was 470,000 gallons with a price of \$3.065 per gallon. The other hedge was for 87 octane unleaded gasoline with an aggregate notional amount of 83,000 gallons at a cost of \$2.965 per gallon.

Note 11. Net 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	\$ 92,264,504
Less: Accumulated Depreciation	27,906,015
Less: Outstanding Debt Related to Capital Assets	<u>-</u>
	<u>\$ 64,358,489</u>

Note 12. Net Position – Restricted for Other Purposes

In Accordance with Massachusetts General Laws Chapter 161 Section 6(q) the Authority has established a reserve for extraordinary expenses. Prior approval from state officials is required before any expenditures can be made. At June 30, 2014 that reserve amounted to \$117,028. The Authority has also set aside \$150,000 in a separate account to meet bond service requirements.

Note 13. Transit Service

The operation of the Authority's fixed route service and maintenance of the Authority's transportation property are performed by First Transit 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. First Transit has two operating subsidiaries, Merrimack Valley Area Transportation Company (MVATC) which operates the fixed route service and Special Transportation Services (STS) which operates the elderly and handicapped services. In return, the Authority agrees to pay First Transit a management fee and to reimburse MVATC and STS for all costs and expenses which are reasonable and necessary for the efficient operation of the services.

Note 14. The Lawrence Gateway Quadrant Area Re-Use Plan

The Quadrant Area is a 13-acre section within the Lawrence Gateway. The project includes the remediation and redevelopment of a contaminated City-owned site into a passive park adjacent to the Spicket River, and the redevelopment of another old contaminated industrial site into landscaped surface parking to support the reuse of the neighborhood mills and Lawrence General Hospital. The parking is necessary to support the redevelopment of some 1.2 million square feet of mill space in the Quadrant Area and future overflow demand for transit needs.

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

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Notes to Financial Statements

June 30, 2014

To implement the Quadrant Area project, the City of Lawrence, the Authority and GenCorp, the primary private property owner in the Quadrant Area, have entered into a Memorandum of Agreement, with the Authority as fiduciary agent and development project manager. The Authority will augment Lawrence's management and development experience, and will ensure a coordinated, cohesive approach to the project.

The funding for the project consists of various grants and loans from federal agencies (HUD, EPA, FTA) and the state Mass Development Finance Agency program. The activities subject to the Agreement include the demolition of structures, construction of a surface parking facility, roadway improvements, abandonment and filling of raceway systems, and the development of open, passive park space. The Authority will not take title to the property and has no liability on any debt associated with the project. The Authority is accumulating all financial activities on a separate set of books until the project is completed. The off balance sheet amounts consists of \$167,701 in cash and \$13,598,194 in project costs funded by HUD loans and federal and state grants.

The parking area is complete and operational. The Authority is waiting for GenCorp to complete and receive approval from the US EPA on its final plan for long term compliance monitoring. Once this is approved the MVRTA will take title to the parking area land. The present Oxford Park project is being undertaken to meet the compensatory flood requirements of the Mass DEP and to assist the City of Lawrence in completing its City Greenway system. No FTA or MassDOT funds are being used on this park project. The estimated time for park completion was October of 2013. As of June 30, 2014 there was no set date for EPA approval of GenCorp plans.

Note 15. 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 \$107,337 during the fiscal year.

Note 16. Subsequent Events

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

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

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Budgetary Comparison Schedule

For the Year Ended June 30, 2014

<u>Expense Description</u>	<u>Final Budget</u>	<u>Actual Expenses</u>	<u>Variance (Over)/Under</u>
Administration			
Personnel	\$ 336,050	319,977	16,073
Professional Services	90,300	93,994	(3,694)
Office and Travel	15,275	16,187	(912)
Debt Service - Interest	118,795	107,365	11,430
Transportation			
Fixed Route	10,818,315	10,710,681	107,634
Special Services	1,976,700	1,959,382	17,318
Terminal expenses	1,167,765	1,105,348	62,417
Transit Center, Security	30,000	30,695	(695)
Other			
Local Share - Capital	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total Expenses	<u>\$ 14,556,200</u>	<u>14,343,629</u>	<u>212,571</u>

See accompanying independent auditors' report

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

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Schedule of Net Cost of Service

For the Year Ended June 30, 2014

OPERATING COSTS

MVRTA administrative costs	\$ 430,158
Purchased services	
Fixed route	10,741,376
Demand responsive	1,959,382
Terminal expense	1,105,348
Debt service - interest	107,365
Total operating costs	<u>14,343,629</u>

FEDERAL OPERATING ASSISTANCE

FTA operating and administrative	2,822,390
Other federal	-
Total federal assistance	<u>2,822,390</u>

REVENUES

Operating	
Farebox revenue	1,640,283
Other Revenue	
Terminal revenues	856,334
Advertising	60,899
Interest income	2,731
Miscellaneous	426,375
Total other revenue	<u>1,346,339</u>

NET OPERATING DEFICIT 8,534,617

ADJUSTMENTS

Extraordinary expenses	-
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NET COST OF SERVICE 8,534,617

NET COST OF SERVICE FUNDING

Local assessments	2,591,333
State contract assistance to be funded	5,943,284
Less: state operating assistance received	5,943,284
Balance requested from the State	-

UNREIMBURSED DEFICIT -

See accompanying independent auditors' report

MERRIMACK VALLEY REGIONAL TRANSIT AUTHORITY

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Schedule of Allocation of Net Operating Deficits

June 30, 2014

	Fixed Route Bus Service	Demand Responsive	Terminal Expenses	Transit Deficits	General Admin.	Interest Expense	Net Cost of Service
Total cost	\$10,710,682	1,959,382	1,105,348	13,775,412	460,852	107,365	14,343,629
Credits	<u>1,844,815</u>	<u>170,874</u>	<u>856,334</u>	<u>2,872,023</u>	<u>111,868</u>	<u>2,731</u>	<u>2,986,622</u>
Net Cost	<u><u>8,865,867</u></u>	<u><u>1,788,508</u></u>	<u><u>249,014</u></u>	<u><u>10,903,389</u></u>	<u><u>348,984</u></u>	<u><u>104,634</u></u>	<u><u>11,357,007</u></u>
Allocation:							
Federal	1,867,348	807,121	52,398	2,726,867	73,557	21,966	2,822,390
State	4,873,493	683,478	136,696	5,693,667	191,968	57,649	5,943,284
Amesbury	70,763	215,853	1,144	287,760	9,698	2,907	300,365
Andover	151,727	4,307	4,278	160,312	5,383	1,614	167,309
Boxford	-	516	-	516	17	5	538
Georgetown	-	5,288	-	5,288	175	53	5,516
Groveland	-	2,708	-	2,708	83	25	2,816
Haverhill	427,343	19,095	12,050	458,488	15,415	4,621	478,524
Lawrence	670,871	9,346	18,917	699,134	23,502	7,045	729,681
Merrimac	40,588	2,029	2,912	45,529	1,527	458	47,514
Methuen	520,631	27,048	14,680	562,359	18,895	5,664	586,918
Newbury	-	653	-	653	26	7	686
Newburyport	103,276	1,909	1,995	107,180	3,605	1,081	111,866
No. Andover	100,301	5,589	2,828	108,718	3,656	1,096	113,470
Salisbury	39,526	3,413	1,116	44,055	1,477	443	45,975
West Newbury	<u>-</u>	<u>155</u>	<u>-</u>	<u>155</u>	<u>-</u>	<u>-</u>	<u>155</u>
Total							
Allocation:	<u><u>\$ 8,865,867</u></u>	<u><u>1,788,508</u></u>	<u><u>249,014</u></u>	<u><u>10,903,389</u></u>	<u><u>348,984</u></u>	<u><u>104,634</u></u>	<u><u>11,357,007</u></u>

Notes:

- (a) Transit deficits for fixed route transportation are apportioned to the communities based on the mileage of those routes that pass through the community. The demand responsive is allocate by contract.
- (b) The general expense of the Authority are allocated based on the percentage of which each funding participant's transit deficit bears to the total combined transit deficit of all participants exclusive of special projects.

See accompanying independent auditors' report

