

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

Auditor's Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related
Information

Year ended June 30, 2012

LOWELL REGIONAL TRANSIT AUTHORITY
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Auditor's Reports as Required by Office of
Management and Budget (OMB) Circular A-133 and
Government Auditing Standards and Related Information

Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Advisory Board

Lowell Regional Transit Authority

Compliance

We have audited the compliance of Lowell Regional Transit Authority (the Authority) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the advisory board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roland P. Lambalot, PC

Methuen, Massachusetts
September 26, 2012

LOWELL REGIONAL TRANSIT AUTHORITY
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Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Direct programs:			
Federal Transit - Capital Investment Grants	20.500		\$ 1,919,197
Federal Transit - Formula Grants (Urbanized Area Formula Program)	20.507		1,946,071
Federal Transit - ARRA (Urbanized Area Formula Program)	20.507		1,850,791
Transit Investments for Greenhouse Gas and Energy Reduction - ARRA	20.523		376,206
Pass-through programs from Massachusetts Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509	MA-18-X051	7,773
Job Access - Reverse Commute	20.516	MA-37-X039	<u>15,716</u>
Total expenditures of federal awards			<u><u>\$ 6,115,754</u></u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards

LOWELL REGIONAL TRANSIT AUTHORITY
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Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

1. Entity

The Lowell Regional Transit Authority (the Authority) is a component unit of Massachusetts Department of Transportation and political subdivision of the Commonwealth of Massachusetts (the Commonwealth) formed pursuant to Commonwealth law to, among other things, hold and manage mass transportation facilities and equipment, and to enter into agreements for its operation, construction and use.

2. Summary of Significant Accounting Policies

The accounting and reporting policies of the Authority are set forth below:

(a) Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared using the accrual basis of accounting and includes federal, state, and local expenditures.

(b) Expenditures in Excess of Federal Participation

Under its grant contracts with the federal government, the Authority is reimbursed for a fixed percentage of eligible project costs. The Authority funds the expenditures in excess of the federal share through funds received from the Commonwealth and local sources.

3. Approved Federal Grant Programs

The Authority's Federal Transit – Formula Grants for the year ended June 30, 2012 consisted primarily of capital grants under contracts with the Federal Transit Administration (FTA). These grants provide for the acquisition of land and equipment, the construction of service extensions, stations, and maintenance facilities, and the improvement of facilities and equipment.

According to the terms of the FTA contracts, the Authority will be reimbursed from 80% to 100% of the allowable project costs as defined in the grant agreement. The terms of those federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purpose 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 comply with the Equal Opportunity and Affirmative Action programs as required by the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU).

4. Subrecipients

The Authority provided approximately \$101,162 in federal awards to the Northern Middlesex Council of Governments, Lowell, Massachusetts.

The subrecipient payments are in the Federal Transit – Formula CFDA #20.507 expenditures.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Advisory Board

Lowell Regional Transit Authority

We have audited the financial statements of the governmental activities, the business-type activities, and the aggregate remaining information of Lowell Regional Transit Authority (the Authority) as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the Authority is responsible for the establishing and maintaining effective control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the advisory board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roland P. Lambalot, PC

Methuen Massachusetts
September 26, 2012

LOWELL REGIONAL TRANSIT AUTHORITY
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Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of Lowell Regional Transit Authority.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in According with *Government Auditing Standards*.
3. No instances of noncompliance considered material to the financial statements of Lowell Regional Transit Authority which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133
5. The independent auditor's report on compliance for the major federal award programs for Lowell Regional Transit Authority expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include: Federal Transit Formula Grants (Urbanized Area Formula Program), CFDA No. 20.507
8. The threshold for distinguishing Types A and B programs was \$300,000
9. Lowell Regional Transit Authority was determined to be a low-risk auditee.

B. Findings Related to the Financial Statements

Instances of Non-Compliance:

No matters were reported.

C. Finding and Questioned Costs – Major Federal Award Program Audit

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency

No matters were reported.

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Summary Schedule of Prior Year Audits

June 30, 2012

There were no significant or material uncorrected prior year findings that affect the current year audit objectives.