

FRANKLIN REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the
FRANKLIN REGIONAL TRANSIT AUTHORITY
 12 Olive Street, Suite 1
 Greenfield, MA 01301

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Franklin Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Franklin Regional Transit 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 from 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 business-type activities of the Franklin Regional Transit Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 and budgetary comparison information on pages 6 and 7, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Franklin Regional Transit Authority's basic financial statements. The supplementary information starting on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic 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 10, 2013 on our consideration of the Franklin Regional Transit 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 the 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 Franklin Regional Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC
ADELSON & COMPANY PC

September 10, 2013

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

The Franklin Regional Transit Authority's (the Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges) and identify any material deviations from the financial plan (the approved budget).

Management's Discussion and Analysis of the Authority's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2013. Management's Discussion and Analysis should be read in conjunction with the financial statements.

Financial Highlights

- The Authority's total assets decreased \$1,803,181 (8%) from fiscal year 2012 primarily due to the reduction in capital assets as a result of current year depreciation and a reduction in accounts receivable related to the construction of the transit center.
- The Authority's liabilities decreased \$1,230,330 (26%) from fiscal year 2012 primarily due to the reduction in accounts payable relating to the construction of the transit center.
- The Authority's net position decreased \$572,851 (3%) from fiscal year 2012 due to its decrease in investment in capital assets, net of accumulated depreciation.
- Operating revenues increased \$714,060 (21%) from fiscal year 2012.
- Operating expenses increased \$1,015,746 (18%) from fiscal year 2012.
- The Authority's operations are funded annually through a required computation of the net cost of service. Except for the establishment of a restricted reserve, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is not sufficient to cover expenses.

Overview of the Financial Statements

The Authority is a component unit of Massachusetts Department of Transportation formed for the purpose of carrying out business-type activities in western Massachusetts communities. The Authority's financial statements consist of three main statements: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Notes and supplementary information that disclose information about the nature of the Authority's business, accounting policies and additional information about specific statement amounts follow these statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

The Authority's net position consists almost exclusively of its net investment in capital assets (e.g. land, intermodal transit center, revenue vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide fixed route and demand response services to individuals within its service area; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt. Net position also consists of a reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits, if any, are reported as unrestricted net assets.

The Statement of Revenues, Expenses, and Changes in Fund Net Position report the results of both operating and non-operating activities. Increases or decreases in the Authority's net position indicate whether the financial health is improving or deteriorating.

The Statement of Cash Flows, which is presented using the direct method, accounts for the change in the cash and equivalents balance between July 1 and June 30. The cash flows statement provides the detail on the cash the Authority received from and paid for operating and non-operating activities, investing, and financing activities.

Summary of Net Position

	<u>6/30/2013</u>	<u>6/30/2012</u>
Total current assets	\$ 3,723,613	\$ 4,958,768
Property and equipment, net	<u>17,354,833</u>	<u>17,922,859</u>
Total assets	21,078,446	22,881,627
Total liabilities	<u>3,581,701</u>	<u>4,812,031</u>
Investment in capital assets, net of related debt	17,354,833	17,922,859
Invested in capital funded inventory	81,927	84,160
Restricted reserve	75,655	62,577
Unrestricted	<u>(15,670)</u>	<u>---</u>
Total net position	<u>\$ 17,496,745</u>	<u>\$ 18,069,596</u>

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

**Summary of Statement of Revenues, Expenses,
and Changes in Fund Net Position**

	<u>6/30/2013</u>	<u>6/30/2012</u>
Total operating revenues	\$ 4,182,074	\$ 3,468,014
Total operating expenses	<u>6,721,145</u>	<u>5,705,399</u>
Operating income (loss)	(2,539,071)	(2,237,385)
Total non-operating revenues (expenses)	<u>2,552,149</u>	<u>2,250,079</u>
Income (loss) before capital contributions and other items	13,078	12,694
Capital contributions	463,770	8,204,139
Nonreimbursable depreciation	(1,047,466)	(611,033)
Other nonreimbursable expenses	<u>(2,233)</u>	<u>(4,152)</u>
Change in net position	(572,851)	7,601,648
Net position, beginning	<u>18,069,596</u>	<u>10,467,948</u>
Net position, ending	<u>\$ 17,496,745</u>	<u>\$ 18,069,596</u>

Operating revenues increased \$714,060 (21%) from fiscal year 2012. The details are as follows:

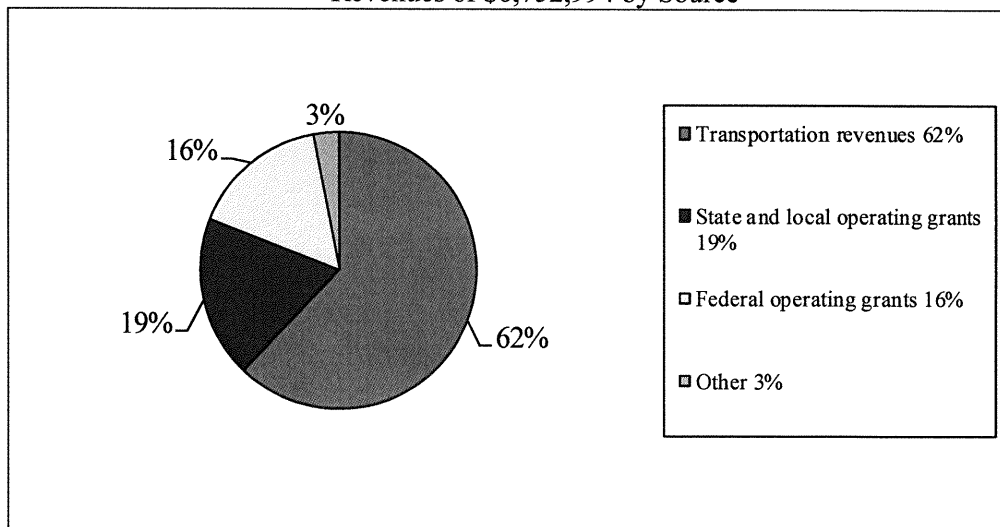
- Fixed route income – decreased by \$4,805 (3%) from fiscal year 2012 as a result of decreases in ticket sales and farebox collections.
- Demand response income – increased by \$659,322 from fiscal year 2012 due to the recording of \$700,000 in “pass through” funding for the net cost of service of Community Transit Services in the Athol area. Excluding the CTS funds, demand response income decreased by \$40,678 (20%) with no Elder Day Care services provided in fiscal year 2013 (\$33,114 fiscal year 2012 income) and a decrease in farebox collections.
- Brokerage service income – increased by \$59,543 (2%) from fiscal year 2012. This increase is due to increased ridership.

**FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013**

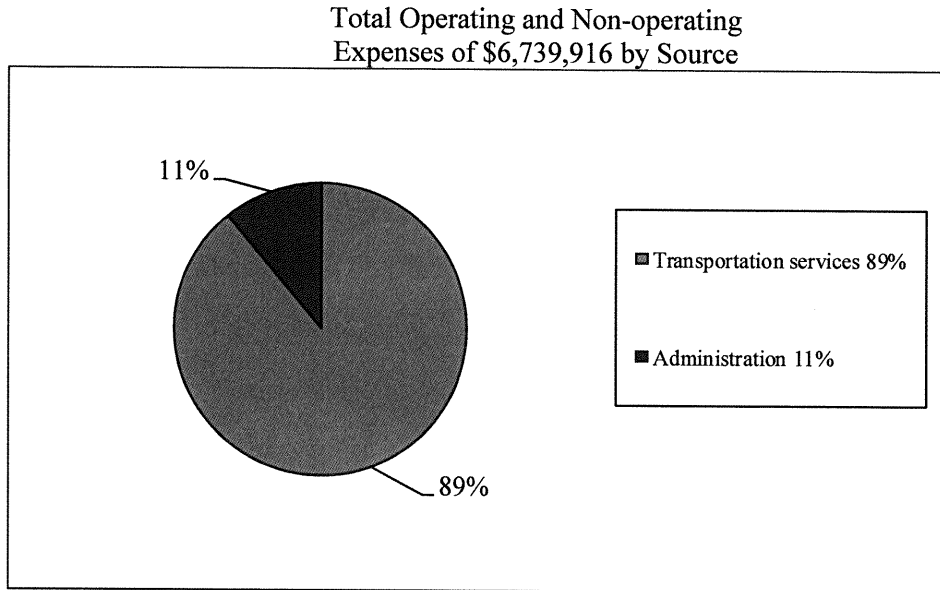
Operating expenses increased \$1,015,746 (18%) from fiscal year 2012. The details are as follows:

- Fixed Route service – increased \$70,271 (6%) from fiscal year 2012.
- Demand response service – increased \$764,587 from fiscal year 2012 with \$700,000 of this increase attributable to the Community Transit Services “pass through” cited above under demand response income. Discounting the CTS expenses, the increase in expenses is \$64,587 (6.5%).
- Brokerage service – increased \$65,532 (2%) from fiscal year 2012. This increase is due to increased ridership.
- Administrative salaries, taxes and fringe benefits – increased \$107,106 (33%) from fiscal year 2012. An additional clerical staff person was in place in fiscal year 2013 and a building manager and janitorial staffer worked for the entire twelve months versus just over two months in fiscal year 2012.
- Other administrative expenses – increased \$8,250 (3%) from fiscal year 2012. Professional services decreased because of a \$32,000 study of the existing maintenance facility that was recorded in fiscal year 2012. Office expenses increased reflecting an increase of \$17,855 in general insurance necessary to address liability issues under an “umbrella policy”. Building expenses rose due to being in the new transit center for the entire year.

Total Operating and Non-operating
Revenues of \$6,752,994 by Source



FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013



Budget vs. Actual – an analysis of significant budget variances, including reasons for the variances that may affect future services or liquidity is as follows:

- Demand response revenues were \$6,210 under budgeted as farebox collections fell short.
- Brokerage services exceeded the budget with an increase for Reach and Medicaid. Expenses for this category came in under budget as computer program costs specific to brokerage activity were less than projected.
- Demand Response expenses for fiscal year 2013 were over budget by \$18,839. This figure is the net of certain accounts (COAs) going over their given budget while others used less than was available to them.
- Fixed Route expenses came in under budget by \$105,733 with savings for fuel costs and rent payments. When the fiscal year 2013 was developed the Authority had just entered negotiations for the continued lease of the Greenfield Montague Transportation Area maintenance facility and the contract was not put in place until February.
- Administrative salaries, taxes, and fringe benefits were under budget by \$35,766. Professional services were in line with budget while office expenses exceeded the budget with the addition of an “umbrella” insurance policy. Transit Center building expenses were \$7,200 under budget.
- State Operating Assistance and Federal 5311 funding are under that which was budgeted but the authority was the recipient of an award from Western Massachusetts Electric Company for building efficiencies. This award, and expenses being less than budgeted, compensated for the differences in State Operating Assistance and Federal funding.

**FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2013

Capital Asset and Debt Administration

Capital assets

The Authority's purchase of capital assets during the year ended June 30, 2013 was \$481,021. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. In fiscal year 2013 the Authority expended ARRA stimulus funds from the Federal government with no requirement of matching funds. The details on capital assets totaling \$17,354,833, net of accumulated depreciation, are disclosed in Note 4 of the financial statements.

The purchase of capital assets includes:

	<u>Amount</u>
Service vehicles	\$ 68,498
Equipment	35,224
Computer Software	236,226
ITC Center	<u>141,073</u>
Total	<u>\$ 481,021</u>

Revenue Anticipation Notes

At the end of fiscal year 2013, the Authority had a revenue anticipation note payable of \$3,100,000. This note provides cash flow until Commonwealth appropriations are received.

Subsequent to fiscal year end June 30, 2013, the Authority issued a new \$3,400,000 operating anticipation note on August 12, 2013 maturing on August 12, 2014 at a rate of 0.75%. The Authority repaid the \$3,100,000 note due August 12, 2013.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. This operating assistance is funded a year in arrears by the State (the Authority's fiscal 2013 assistance will be included in the State's fiscal 2014 budget). The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded in arrears through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5% plus the member's share of any new service.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Future service / funding needs

The Authority has been awarded a JARC Grant for fiscal year 2014 and 2015 (partial) in the amount of \$249,452. The funds will be used to support the G-Link route and for other service improvements. Although the town of Athol has opted to leave Franklin Regional Transit Authority and become a member of neighboring Montachusett Area Regional Transit Authority, the G-Link service continues with a connection in Orange rather than in Athol. This change reduces the cost of the route only minimally.

The recently passed State budget contained an increase in funding for public transportation for the purpose of enhancing or adding to services provided. This, along with the small modification to the G-Link, has prompted the Authority to analyze all of its routes to determine what changes might be made to existing routes and any additional services that could be made to better serve the public. This process began in fiscal year 2013 and continues into fiscal year 2014. Changes to existing routes, adding routes, increasing frequencies, and extending services by operating later into the evening and adding weekend services are all being considered. Public hearings are scheduled for early in fiscal year 2014 to gather information as to what public needs are; and how and to what extent any purposed changes would impact consumers.

The Authority and the other RTAs have been working through the state RTA group MARTA with the Commonwealth to move to a forward funding system as opposed to the current funding in arrears. This would simplify the budgeting process and would considerably reduce the amount of revenue anticipation borrowing that is necessary for providing proper cash flow under the present system.

The lease of the maintenance facility was completed in fiscal year 2013 and took effect in February. Under the lease the Authority pays a monthly rent of \$4,574 and is responsible for all utilities. This is still a short term solution to the Authority's needs recognizing the inadequacy of this building in terms of condition, location, and size.

Fiscal year 2013 was the first full year in the John W. Olver Transit Center. Budgeting and rental agreements were based upon a pro forma provided by the Owners Project Management Company and there have been some variances to what has actually occurred. Specifically, the Authority is interested in the "net zero" aspect of the building with a monthly electric bill exceeding expectations. To that end the Authority is engaged with a consultant to monitor the systems. Any adjustments than can be made will be done and a report will be provided regarding the functioning of the systems compared to that which was promised.

Requests for Information

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 the Franklin Regional Transit Authority, 12 Olive Street, Suite 1, Greenfield, MA 01301.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

June 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 512,837	\$ 863,810
Receivables	2,967,444	3,864,697
Inventory	151,236	165,261
Prepaid expenses	<u>92,096</u>	<u>65,000</u>
Total current assets	3,723,613	4,958,768
Property and equipment, net	<u>17,354,833</u>	<u>17,922,859</u>
TOTAL ASSETS	<u>21,078,446</u>	<u>22,881,627</u>
LIABILITIES		
Accounts payable	459,101	1,675,569
Accrued vacation	6,237	6,409
Accrued interest	16,363	30,053
Notes payable	<u>3,100,000</u>	<u>3,100,000</u>
TOTAL LIABILITIES	<u>3,581,701</u>	<u>4,812,031</u>
NET POSITION		
Invested in capital assets, net of related debt	17,354,833	17,922,859
Invested in capital funded inventory	81,927	84,160
Restricted reserve	75,655	62,577
Unrestricted	<u>(15,670)</u>	<u>---</u>
TOTAL NET POSITION	<u>\$ 17,496,745</u>	<u>\$ 18,069,596</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Operating revenues			
Fixed route income	\$ 162,050	\$ 155,603	\$ (6,447)
Demand response income	870,600	864,390	(6,210)
Brokerage service income	<u>3,157,730</u>	<u>3,162,081</u>	<u>4,351</u>
Total operating revenues	<u>4,190,380</u>	<u>4,182,074</u>	<u>(8,306)</u>
Operating expenses			
Fixed route service	1,380,470	1,274,737	105,733
Demand response service	1,736,530	1,755,369	(18,839)
Brokerage service	3,026,000	2,990,191	35,809
Administrative salaries, taxes and fringe benefits	471,850	436,084	35,766
Other administrative expenses	259,500	263,183	(3,683)
Reimbursable depreciation	---	1,581	(1,581)
Total operating expenses	<u>6,874,350</u>	<u>6,721,145</u>	<u>153,205</u>
Operating income (loss)	<u>(2,683,970)</u>	<u>(2,539,071)</u>	<u>144,899</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,142,900	1,061,395	(81,505)
Massachusetts	998,817	865,635	(133,182)
Member communities	444,553	451,789	7,236
Interest income	3,200	4,088	888
Advertising income	2,500	5,195	2,695
Rental Income	115,000	75,485	(39,515)
Other income	12,000	107,333	95,333
Interest expense	<u>(35,000)</u>	<u>(18,771)</u>	<u>16,229</u>
Total non-operating revenues (expenses)	<u>2,683,970</u>	<u>2,552,149</u>	<u>(131,821)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	13,078	<u>\$ 13,078</u>
Capital contributions		463,770	
Nonreimbursable depreciation		(1,047,466)	
Other nonreimbursable expenses		<u>(2,233)</u>	
CHANGE IN NET POSITION		(572,851)	
Net position, beginning		<u>18,069,596</u>	
NET POSITION, ENDING		<u>\$ 17,496,745</u>	

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Fixed route income	\$ 145,850	\$ 160,408	\$ 14,558
Demand response income	276,600	205,068	(71,532)
Brokerage service income	<u>2,857,730</u>	<u>3,102,538</u>	<u>244,808</u>
Total operating revenues	<u>3,280,180</u>	<u>3,468,014</u>	<u>187,834</u>
Operating expenses			
Fixed route service	1,130,266	1,204,466	(74,200)
Demand response service	1,057,100	990,782	66,318
Brokerage service	2,706,000	2,924,659	(218,659)
Administrative salaries, taxes and fringe benefits	366,575	328,978	37,597
Other administrative expenses	<u>285,700</u>	<u>256,514</u>	<u>29,186</u>
Total operating expenses	<u>5,545,641</u>	<u>5,705,399</u>	<u>(159,758)</u>
Operating income (loss)	<u>(2,265,461)</u>	<u>(2,237,385)</u>	<u>28,076</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,057,000	1,040,572	(16,428)
Massachusetts	750,000	776,809	26,809
Member communities	433,711	447,289	13,578
Interest income	3,000	3,317	317
Advertising income	5,000	2,325	(2,675)
Other income	56,750	12,530	(44,220)
Interest expense	<u>(40,000)</u>	<u>(32,763)</u>	<u>7,237</u>
Total non-operating revenues (expenses)	<u>2,265,461</u>	<u>2,250,079</u>	<u>(15,382)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	12,694	<u>\$ 12,694</u>
Capital contributions		8,204,139	
Nonreimbursable depreciation		(611,033)	
Other nonreimbursable expenses		<u>(4,152)</u>	
CHANGE IN NET POSITION		7,601,648	
Net position, beginning		<u>10,467,948</u>	
NET POSITION, ENDING		<u>\$ 18,069,596</u>	

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,036,729	\$ 3,532,155
Payments for goods and services	(6,284,985)	(5,417,277)
Payments to employees	(435,912)	(330,811)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,684,168)</u>	<u>(2,215,933)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts of operating grants	2,378,819	2,264,670
Proceeds from issuing revenue anticipation notes	3,100,000	3,100,000
Repayment of revenue anticipation notes	(3,100,000)	(3,100,000)
Interest paid	(32,461)	(35,242)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,346,358</u>	<u>2,229,428</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of capital grants	463,770	8,204,139
Payments for capital acquisitions	(481,021)	(8,204,139)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,251)</u>	<u>---</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on savings	4,088	3,317
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,088</u>	<u>3,317</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(350,973)	16,812
Cash and equivalents, beginning	<u>863,810</u>	<u>846,998</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 512,837</u>	<u>\$ 863,810</u>
Reconciliation of operating income to net cash provided by operating activities:		
OPERATING LOSS	\$ (2,539,071)	\$ (2,237,385)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Reimbursable depreciation	1,581	---
Advertising income	5,195	2,325
Rental income	75,485	---
Other income	107,333	12,530
Other nonreimbursable expenses	(2,233)	(4,152)
Change in assets and liabilities:		
(Increase) decrease in receivables	897,253	(344,592)
(Increase) decrease in inventory	14,025	18,445
(Increase) decrease in prepaids	(27,096)	9,269
Increase (decrease) in accounts payable	(1,216,468)	325,794
Increase (decrease) in accrued vacation	(172)	1,833
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,684,168)</u>	<u>\$ (2,215,933)</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2013****NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

The Franklin Regional Transit Authority (the Authority) operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. Its members consist of forty towns in Franklin, Hampshire, Hampden and Worcester counties. It has a general responsibility to develop, finance and contract for the operation of mass transportation facilities within its territory. It is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the Authority.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board which is made up of the chief elected officials or their appointees from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the federal and state government and member municipalities. In addition, the Authority receives capital grants from the federal and state government to finance acquisitions and improvements of facilities and equipment.

Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting.

The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards issued by the Financial Accounting Standards Board prior to December 31, 1989 generally are followed to the extent that those standards do not conflict with or contradict GASB guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority.

Fund Net Position

Fund net positions are classified as follows in the Authority's financial statements:

Invested in capital assets, net of related debt

The portion of net position represented by capital assets less accumulated depreciation, less outstanding debt incurred by the Authority to buy or construct them. The Authority uses these capital assets to provide transportation services; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt, if any, must be provided from other sources, since these capital assets themselves cannot be used to liquidate these liabilities.

NOTE 1 - (Continued)*Restricted*

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a Restricted Reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2013, the Authority's reserve balance was \$75,655.

Unrestricted

All amounts not included in other spendable classifications.

Revenue Recognition

Operating assistance and capital assistance are recorded at the time eligible expenditures under the terms of the grants are incurred.

Budgetary Basis of Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by May 1, each year, for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.
2. By June 1, each year, the budget is legally enacted by a vote of the Advisory Board.

Funding

The Authority's operations are funded through fares from riders and assistance provided under various federal, state, and local grants. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

Capital Grants

The Authority's capital assets are generally acquired with federal, state and local capital grants. These assets are owned by the Authority and included in property and equipment. Proceeds received from dispositions of these assets must be either refunded to the grantor agency or used to acquire new capital items. Capital grant revenues are reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as capital contributions.

Cash and Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Inventory

Inventory is stated at the lower of acquisition cost or current purchase cost. Cost is determined by the first-in, first-out method.

NOTE 1 - (Continued)**Property and Equipment**

Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over three to forty year lives.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 10, 2013, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority signed a one year contract effective July 1, 2013 for its fixed route, and some of its paratransit and demand response transportation services with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc. This contract may be renewed for up to four additional one-year periods.

Approximately ninety percent (90%) of FTM's employees are members of the Local 274 United Electrical, Radio and Machine Workers of America Union. FTM's labor agreement with the Union is effective through January 31, 2015.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$12,896 and \$5,375 for the years ended June 30, 2013 and 2012, respectively.

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust.

Custodial Credit Risk Related To Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC insurance. Insured bank deposits as of June 30, 2013, were \$502,459. Uninsured bank deposits as of June 30, 2013 were \$337,216.

NOTE 3 - RECEIVABLES CONSISTED OF THE FOLLOWING AT JUNE 30:

	<u>2013</u>	<u>2012</u>
Federal		
Section 5311 operating assistance	\$ 685,968	\$ 565,537
Section 5311 capital assistance	---	796,686
Section 5316 Job Access Reverse Commute	---	109,369
Total Federal	<u>685,968</u>	<u>1,471,592</u>
Massachusetts		
Operating assistance	775,233	731,982
Capital assistance	136,472	542,720
Total Massachusetts	<u>911,705</u>	<u>1,274,702</u>
Member communities		
Operating assistance for current year expenditures	446,835	435,937
Operating assistance for prior year expenditures	206,476	191,095
Total member communities	<u>653,311</u>	<u>627,032</u>
Trade receivables		
Accounts receivables	716,460	491,371
Allowance for uncollectable	---	---
Total trade receivables	<u>716,460</u>	<u>491,371</u>
Total receivables	<u>\$ 2,967,444</u>	<u>\$ 3,864,697</u>

The federal government under 49 USC Section 5311, provides for assistance of up to 50% of the Authority's operating deficit. In addition, under 49 USC Sections 5309, 5310 and 5311, the federal government may provide 80% to 100% of the cost of capital equipment. During the year ended June 30, 2013 and 2012, the Authority expended American Recovery and Reinvestment funds through the Department of Transportation.

Massachusetts general laws require the operating assistance assessed upon member communities be at least 25% of net cost of service including new services. The local assessment can be increased by a maximum of 2.5% over the previous year's local assessment plus 25% of the cost of new service.

The Authority has a contract with the Commonwealth of Massachusetts under which the Commonwealth agrees to provide operating assistance for a portion of the operating deficit remaining after any federal grants and the local assistance have been applied.

NOTE 4 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2013			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated				
Land	\$ 230,800	\$ ---	\$ ---	\$ 230,800
Construction in process	---	---	---	---
Total capital assets, not being depreciated	<u>230,800</u>	<u>---</u>	<u>---</u>	<u>230,800</u>
Capital assets, being depreciated				
Revenue vehicles	4,722,669	68,498	---	4,791,167
Vehicle	50,164	---	---	50,164
Equipment	876,178	35,224	---	911,402
Computer software	238,415	236,226	---	474,641
ITC Center	14,314,495	141,073	---	14,455,568
Leasehold improvements	11,651	---	---	11,651
Total capital assets, being depreciated	<u>20,213,572</u>	<u>481,021</u>	<u>---</u>	<u>20,694,593</u>
Less accumulated depreciation				
Revenue vehicles	2,077,547	468,822	---	2,546,369
Vehicle	33,985	6,263	---	40,248
Equipment	175,079	150,131	---	325,210
Computer software	167,231	47,595	---	214,826
ITC Center	62,159	375,067	---	437,226
Leasehold improvements	5,512	1,169	---	6,681
Total accumulated depreciation	<u>2,521,513</u>	<u>1,049,047</u>	<u>---</u>	<u>3,570,560</u>
Total capital assets, being depreciated, net	<u>17,692,059</u>	<u>(568,026)</u>	<u>---</u>	<u>17,124,033</u>
Capital assets, net	<u>\$ 17,922,859</u>	<u>\$ (568,026)</u>	<u>\$ ---</u>	<u>\$ 17,354,833</u>

NOTE 4 - (Continued)

	2012			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 230,800	\$ ---	\$ ---	\$ 230,800
Construction in process	7,734,031	6,580,464	14,314,495	---
Total capital assets, not being depreciated	7,964,831	6,580,464	14,314,495	230,800
Capital assets, being depreciated				
Revenue vehicles	3,594,472	1,128,197	---	4,722,669
Vehicle	50,164	---	---	50,164
Equipment	380,700	495,478	---	876,178
Computer software	238,415	---	---	238,415
ITC Center	---	14,314,495	---	14,314,495
Leasehold improvements	11,651	---	---	11,651
Total capital assets, being depreciated	4,275,402	15,938,170	---	20,213,572
Less accumulated depreciation				
Revenue vehicles	1,643,576	433,971	---	2,077,547
Vehicle	27,722	6,263	---	33,985
Equipment	104,922	70,157	---	175,079
Computer software	129,918	37,313	---	167,231
ITC Center	---	62,159	---	62,159
Leasehold improvements	4,342	1,170	---	5,512
Total accumulated depreciation	1,910,480	611,033	---	2,521,513
Total capital assets, being depreciated, net	2,364,922	15,327,137	---	17,692,059
Capital assets, net	\$ 10,329,753	\$ 21,907,601	\$ 14,314,495	\$ 17,922,859

NOTE 5 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

The Authority is subsidized by the Commonwealth of Massachusetts and its Member communities for its annual "Net Cost of Service" as defined in the Massachusetts General Laws. The Authority is also subsidized by the Federal government. 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.

Revenue anticipation notes consisted of the following for the year ended June 30:

	<u>2013</u>	<u>2012</u>
0.57% Revenue anticipation note, due August 12, 2013	\$ 3,100,000	
1.05% Revenue anticipation note, due July 27, 2012		<u>\$ 3,100,000</u>
Total	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>

On August 12, 2013, the Authority issued a \$3,400,000 revenue anticipation note maturing on August 12, 2014 at a rate of .75%. The Authority repaid the \$3,100,000 note due August 12, 2013.

The Commonwealth is required pursuant to Section 10 of Chapter 161B of the Massachusetts General Laws to pay to the Authority amounts duly certified by the Administrator as necessary to pay the principal and interest on these notes if sufficient funds are not otherwise available; the obligation of the Commonwealth to pay such amounts to the Authority is a general obligation of the Commonwealth and the full faith and credit of the Commonwealth is pledged to make such payments.

NOTE 6 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	2013				
	Invested in capital assets	Invested in Capital Funded Inventory	Restricted Reserve	Unrestricted	Total
Net income				\$ 13,078	\$ 13,078
Reimbursable depreciation	\$ (1,581)			1,581	---
Nonreimbursable depreciation	(1,047,466)				(1,047,466)
Other nonreimbursable expenses		\$ (2,233)			(2,233)
Additions					
Capital contributions	463,770				463,770
Other	17,251			(17,251)	---
Addition in reserve for extraordinary expenses			13,078	(13,078)	---
Increase (decrease) in net position	(568,026)	(2,233)	13,078	(15,670)	(572,851)
Net position, beginning	17,922,859	84,160	62,577	---	18,069,596
Net position, ending	<u>\$ 17,354,833</u>	<u>\$ 81,927</u>	<u>\$ 75,655</u>	<u>\$ (15,670)</u>	<u>\$ 17,496,745</u>
	2012				
	Invested in capital assets	Invested in Capital Funded Inventory	Restricted Reserve	Unrestricted	Total
Net income				\$ 12,694	\$ 12,694
Nonreimbursable depreciation	\$ (611,033)				(611,033)
Other nonreimbursable expenses		\$ (4,152)			(4,152)
Capital contributions	8,204,139				8,204,139
Addition in reserve for extraordinary expenses			12,694	(12,694)	---
Increase (decrease) in net position	7,593,106	(4,152)	12,694	---	7,601,648
Net position, beginning	10,329,753	88,312	49,883	---	10,467,948
Net position, ending	<u>\$ 17,922,859</u>	<u>\$ 84,160</u>	<u>\$ 62,577</u>	<u>\$ ---</u>	<u>\$ 18,069,596</u>

A reserve has been established by the Authority, restricted for the purpose of meeting the cost of extraordinary expenses of the Authority in accordance with MGL Chapter 161B Section 6(q). At June 30, 2013 and 2012 the Authority's reserved balance was \$75,655 and \$62,577, respectively.

NOTE 7 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2013:

- A. The Authority provided six fixed routes with the hub being in Greenfield going to Northampton, Orange/Athol, Shelburne/Charlemont, Gill, Amherst, and other locations within Greenfield and Montague. During the year ended June 30, 2013 the Authority contracted with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc., to provide this service, with direct reimbursement for expenses and a management fee paid. FTM operated thirty-nine of the Authority's fifty-six vehicles providing regular maintenance and drivers.
- B. Under agreement to the Authority, fourteen agencies, including eight Councils on Aging (COA), three private vendors and three volunteer agencies working on behalf of the COA's, provided demand-response paratransit service to qualified elderly and disabled persons in their communities. Customers make fare payments to the COA's. The agencies submitted invoices to the Authority for payment less fares. Service was provided in the following towns.

Ashfield	Deerfield	Middlefield	Russell
Athol	Erving	Montague	Shelburne
Bernardston	Gill	Montgomery	Shutesbury
Blandford	Goshen	New Salem	Southampton
Buckland	Granville	Northfield	Southwick
Charlemont	Greenfield	Orange	Warwick
Chester	Hawley	Petersham	Wendell
Chesterfield	Heath	Phillipston	Westhampton
Colrain	Huntington	Plainfield	Whately
Conway	Leyden	Rowe	Worthington
Cummington			

- C. The Authority contracted with thirteen vendors to provide transportation for Human Service Programs. These services include transporting Department of Mental Assistance (DMA) clients to medical appointments, Department of Developmental Services (DDS) clients to Day Habs and work related programs, Department of Public Health (DPH) clients to Early Intervention REACH Programs, and Massachusetts Rehabilitation Commission (MRC) clients in compliance with its contracts with these agencies. Clients in these programs travel at no charge. Contractors bill the Authority at their contracted rate per ride and the Authority in turn bills DMA, DDS, DPH and MRC.

NOTE 8 - PENSION PLANS

Plan Description

Substantially all employees of the Authority participate in the Franklin Regional Retirement System, Massachusetts Employee Retirement System, which is a cost-sharing multiple-employer Public Employee Retirement System (PERS), as established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. Active members contribute 5, 7, 8 or 9% of their gross regular compensation depending on the date of employment. Additionally, individuals hired after January 1, 1979 pay an additional 2% if their annual income exceeds \$30,000. Benefits paid under the plan, referred to as “retirement allowances,” include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion funded by the Authority through the system on a “pay-as-you-go” basis. Annual contributions by the Authority for the pension portion of the retirement allowance due in the fiscal year are determined by the Public Employee Retirement Administration Commission based on data submitted by the Authority with respect to actual retirees due benefits for the ensuing year.

Benefits

The Franklin Regional Transit Authority PERS provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 55 and accumulating 10 years of service or after accumulating 20 years of service regardless of age. Benefits vest after 10 years of service.

Pension payments are determined by a calculation that considers the age, time of service and average salary of the three consecutive years with the highest earnings, not to exceed 80% of the average salary. Pension provisions include death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive an annual amount with several options available.

Plan Contributions

The Authority’s payroll for employees covered by the system for the year ended June 30, 2013 was approximately \$315,800. The Authority’s contribution to the Retirement System for 2013 was made in accordance with the funding policy described above and was funded as follows: The Authority contributed \$46,934 (15% of current covered payroll); employees contributed \$30,864 (10% of current covered payroll).

In addition, the Authority may provide supplemental funding under Chapter 559 of the Acts of 1977 to reduce the Authority’s actuarial past service cost. As of June 30, 2013 the trust fund balance funded under Chapter 559 was zero. Under the accounting standards established by GASB 27, no pension liability was recorded for the Authority since its pension expenditure met the employer’s contractually required contribution for the year.

Three-Year Trend Information

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 33,572	100%	\$ 0
2012	\$ 36,060	100%	\$ 0
2013	\$ 46,934	100%	\$ 0

Additional pension disclosures, required by generally accepted accounting principles, were not available for presentation, but management feels this information would not have a material effect on the financial statements.

NOTE 9 - ADMINISTRATIVE SALARIES, TAXES AND FRINGE BENEFITS CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 360,000	\$ 329,829	\$ 30,171
Payroll taxes	8,600	8,660	(60)
Fringe benefits	103,250	97,595	5,655
Total	<u>\$ 471,850</u>	<u>\$ 436,084</u>	<u>\$ 35,766</u>
	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 270,000	\$ 252,213	\$ 17,787
Payroll taxes	5,325	6,880	(1,555)
Fringe benefits	91,250	69,885	21,365
Total	<u>\$ 366,575</u>	<u>\$ 328,978</u>	<u>\$ 37,597</u>

NOTE 10 - OTHER ADMINISTRATIVE EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 59,500	\$ 59,198	\$ 302
Office supplies	7,000	7,935	(935)
Postage	3,200	3,786	(586)
Utilities	30,000	35,956	(5,956)
Travel	8,000	3,484	4,516
General insurance	7,500	23,525	(16,025)
Building insurance	40,000	41,998	(1,998)
Repairs and maintenance	75,700	61,606	14,094
Advertising	12,000	12,896	(896)
Dues and memberships	7,500	4,925	2,575
Miscellaneous	9,100	7,874	1,226
Total	\$ 259,500	\$ 263,183	\$ (3,683)

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 46,000	\$ 78,812	\$ (32,812)
Office supplies	7,000	17,766	(10,766)
Postage	3,000	2,636	364
Utilities	21,200	13,293	7,907
Rent	80,000	84,225	(4,225)
Travel	9,000	4,670	4,330
General insurance	7,000	5,670	1,330
Building insurance	15,000	21,015	(6,015)
Repairs and maintenance	67,300	14,322	52,978
Advertising	12,000	5,375	6,625
Dues and memberships	6,500	5,485	1,015
Miscellaneous	11,700	3,245	8,455
Total	\$ 285,700	\$ 256,514	\$ 29,186

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2014 budget*

For the fiscal year 2014, the Authority has approved an operating budget of \$6,174,189, which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of federal and state programs.

Federal and State funding

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

Risk management

The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, natural disasters, and workers compensation claims for which the Authority carries commercial insurance.

NOTE 12 - OPERATING LEASES*Operating Lease Expense - Maintenance Facility*

The Authority leases a maintenance and operations facility located at 382 Deerfield Street, Greenfield, Massachusetts. The initial term of the lease was for three years commencing on August 1, 2006 and expiring on August 1, 2009. On July 8, 2009, the Authority extended the lease agreement for an additional two years which expired on August 1, 2011. The Authority is currently leasing the operations facility on a month-to-month basis. Total lease expense was \$84,265 and \$75,000 for the years ended June 30, 2013 and 2012, respectively.

Operating Lease Revenue – Franklin Regional Transit Center

The Authority, as owner and landlord, entered into an agreement to lease office and shared common space to Franklin Regional Council of Governments (FRCOG). The term of the lease is for thirty (30) years, starting July 1, 2012, with two ten year extensions. The base rent is one dollar (\$1.00) per year. The FRCOG is responsible for its share of operating and electricity costs as defined in the lease agreement. Three Advisory Board members are also council members of the FRCOG. Total rental income was \$74,685 for the year ended June 30, 2013.

FRANKLIN REGIONAL TRANSIT AUTHORITY
Computation of Operating Assistance
from the Federal Transit Administration
Under 49 USC Section 5311
For Years Ended June 30,

	<u>2013</u>	<u>2012</u>
Total operating expenses	\$ 6,721,145	\$ 5,705,399
Interest expense	<u>18,771</u>	<u>32,763</u>
Total eligible expenses	6,739,916	5,738,162
Revenues applied to eligible expenses:		
Fixed route income	155,603	160,408
Demand response income	864,390	205,068
Brokerage service income	3,162,081	3,102,538
Other federal, state and local assistance	134,884	249,425
Interest income	4,088	3,317
Advertising income	5,195	2,325
Rental income	75,485	---
Other income	<u>107,333</u>	<u>12,530</u>
Total revenues applied to eligible expenses	<u>4,509,059</u>	<u>3,735,611</u>
Net operating expenses eligible under Section 5311	2,230,857	2,002,551
Section 5311 participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum Section 5311 operating assistance	<u>\$ 1,115,429</u>	<u>\$ 1,001,276</u>
Sections 5311 operating assistance sought (amount of maximum funding above or less)	<u>\$ 935,366</u>	<u>\$ 847,326</u>

Nonreimbursable depreciation and other expenses taken on property and equipment and inventory purchased with capital grant funding is not included in the eligible expenses above.

FRANKLIN REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET COST OF SERVICE
For the Year Ended June 30,

	<u>2013</u>	<u>2012</u>
Operating costs		
Administrative costs	\$ 700,848	\$ 585,492
Purchased services		
Fixed route service	1,274,737	1,204,466
Demand response service	1,755,369	990,782
Brokerage service	2,990,191	2,924,659
Debt service	<u>18,771</u>	<u>32,763</u>
Total operating costs	<u>6,739,916</u>	<u>5,738,162</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>1,061,395</u>	<u>1,040,572</u>
Revenues		
Local revenues		
Fixed route income	155,603	160,408
Demand response income	864,390	205,068
Brokerage service income	3,162,081	3,102,538
Interest income	4,088	3,317
Advertising income	5,195	2,325
Rental income	75,485	---
Other income	<u>107,333</u>	<u>12,530</u>
Total local revenues	<u>4,374,175</u>	<u>3,486,186</u>
Other operating assistance	<u>8,855</u>	<u>56,179</u>
Total operating assistance and revenues	<u>5,444,425</u>	<u>4,582,937</u>
Net operating deficit	1,295,491	1,155,225
Increase in reserve for extraordinary expenses	<u>13,078</u>	<u>12,694</u>
Net cost of service	<u>1,308,569</u>	<u>1,167,919</u>
Net cost of service funding		
Local assessments	446,835	435,937
State contract assistance	<u>861,734</u>	<u>731,982</u>
Total funding	<u>1,308,569</u>	<u>1,167,919</u>
Unreimbursed deficit (surplus)	<u>\$ ---</u>	<u>\$ ---</u>

Nonreimbursable depreciation and other expenses taken on property and equipment and inventory purchased with capital grant funding are not included in the eligible expenses above.



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**INDEPENDENT AUDITOR'S 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**

To the Advisory Board of the
FRANKLIN REGIONAL TRANSIT AUTHORITY
 12 Olive Street, Suite 1
 Greenfield, MA 01301

We have audited, in accordance with the 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, the financial statements of the business-type activities of Franklin Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Franklin Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin Regional Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Regional Transit Authority's internal control.

A *deficiency in internal control* 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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin Regional Transit Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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September 10, 2013