

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

**Financial Statements and**  
**Supplementary Information**

**June 30, 2023 and 2022**

Table of Contents

	Page
Independent Auditors' Report	2 - 4
Management's Discussion and Analysis	5
<b>Financial Statements</b>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Fund Net Position	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 22
<b>Required Supplementary Information</b>	
Schedule of Authority's Proportionate Share of Net Pension Liability	23
Schedule of Authority Pension Contributions	23
<b>Supplementary Information</b>	
Computation of Operating Assistance From the Federal Transit Administration	24
Statements of Net Cost of Service	25
Independent Auditors' 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	26 - 27



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of Franklin Regional Transit Authority as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of Franklin Regional Transit Authority as of June 30, 2023 and 2022, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franklin Regional Transit Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Franklin Regional Transit Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Franklin Regional Transit Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 5 and the Schedule of Proportionate Share of Net Pension Liability and Pension Contributions on page 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Franklin Regional Transit Authority's basic financial statements. The accompanying supplementary information on pages 24 and 25 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 supplementary 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 15, 2023 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 solely 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 effectiveness of the Franklin Regional Transit Authority's 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 Franklin Regional Transit Authority's internal control over financial reporting and compliance.

*Adelson + Company PC*

ADELSON & COMPANY PC

September 15, 2023

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended June 30, 2023**

The Franklin Regional Transit Authority's (the Authority) discussion and analysis for the fiscal year ended June 30, 2023 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).

**Reporting Entity**

The Authority provides public transportation and operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority. See Note 1 to the financial statements for additional information on the reporting entity.

**Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$31,815,230.
- The Authority's cost of operations for fiscal year 2023 were fully covered with operating revenues (demand response income, advertising, rental and other miscellaneous income) and government support (federal, state, and local operating subsidies). See the Authority's net cost of service calculation on page 25 of the financial statements. The Authority's total net position had a net increase of \$8,051,273 from fiscal year 2022, mainly due to contributed capital from the federal and state government for the acquisition of capital assets and construction of the new maintenance facility of \$9,516,472, current year non-reimbursable depreciation on capital assets of \$(1,408,993) and other non-reimbursable expenses of \$(31,854), an increase in the Authority's reserve of \$15,096 as allowed under M.G.L. 161B Section 6(q), and an increase in the Authority's net pension liability and related deferred outflows and inflows of resources of \$(39,448) which are non-reimbursable items at this time.
- Operating revenues decreased \$(99,026) or 36.6% from fiscal year 2022.
- Operating expenses increased \$395,022 or 8.3% from fiscal year 2022. This was primarily due to an increase in fixed route expenses of \$135,657, an increase in Demand Response service of \$120,758, and an increase in administrative expenses of \$138,607.
- The Authority has received Federal CARES Act operating assistance under 49 USC Section 5311, passed through the Massachusetts Department of Transportation. The funding awarded to the Authority totals \$3,795,381 and is available to cover 100% of eligible operating expenses and costs incurred in response to COVID-19 beginning January 20, 2020 until fully spent. The Authority has used \$1,890,035 of this funding through fiscal year 2023. The remaining balance of \$1,905,346 is carried forward to fiscal year 2024.
- 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended June 30, 2023**

**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.

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 cannot 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 position.

The Statement of Revenues, Expenses, and Changes in Fund Net Position report the results of both operating and non-operating activities. 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>6/30/2023</u>	<u>6/30/2022</u>	<u>Change</u>
Total current assets	\$ 3,998,900	\$ 4,380,648	\$ (381,748)
Property and equipment, net	30,428,891	22,344,740	8,084,151
Deferred outflows of resources related to pensions	<u>505,488</u>	<u>224,226</u>	<u>281,262</u>
Total assets and deferred outflows of resources	<u>34,933,279</u>	<u>26,949,614</u>	<u>7,983,665</u>
Accounts payable and accrued expenses	809,040	1,336,599	(527,559)
Note payable	1,100,000	1,100,000	-
Unearned revenue	202,302	63,061	139,241
Net pension liability	779,980	362,640	417,340
Deferred inflows of resources related to pensions	<u>226,727</u>	<u>323,357</u>	<u>(96,630)</u>
Total liabilities and deferred inflows of resources	<u>3,118,049</u>	<u>3,185,657</u>	<u>(67,608)</u>
Investment in capital assets, net of related debt	30,428,891	22,344,740	8,084,151
Invested in capital funded inventory	31,714	40,384	(8,670)
Restricted reserve	104,136	89,040	15,096
Unrestricted	<u>1,250,489</u>	<u>1,289,793</u>	<u>(39,304)</u>
Total net position	<u>\$ 31,815,230</u>	<u>\$ 23,763,957</u>	<u>\$ 8,051,273</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**For the Year Ended June 30, 2023**

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

	6/30/2023	6/30/2022	Change
Total operating revenues	\$ 171,800	\$ 270,826	\$ (99,026)
Total operating expenses	4,672,229	4,277,207	395,022
Operating income (loss)	(4,500,429)	(4,006,381)	(494,048)
Total non-operating revenues (expenses)	4,476,077	4,056,164	419,913
Income (loss) before capital contributions and other items	(24,352)	49,783	(74,135)
Capital contributions	9,516,472	5,710,912	3,805,560
Nonreimbursable depreciation	(1,408,993)	(932,294)	(476,699)
Other nonreimbursable expenses	(31,854)	(22,678)	(9,176)
Change in net position	8,051,273	4,805,723	3,245,550
Net position, beginning	23,763,957	18,958,234	4,805,723
Net position, ending	\$ 31,815,230	\$ 23,763,957	\$ 8,051,273

Operating revenues decreased \$(99,026) or 36.6% from fiscal year 2022. The details are as follows:

- Demand response income - decreased by \$(78,616) or 31.4% from fiscal year 2022 due to the decrease of grant funds from Metropolitan Area Planning Council.

Operating expenses increased \$395,022 or 8.3% from fiscal year 2022. The details are as follows:

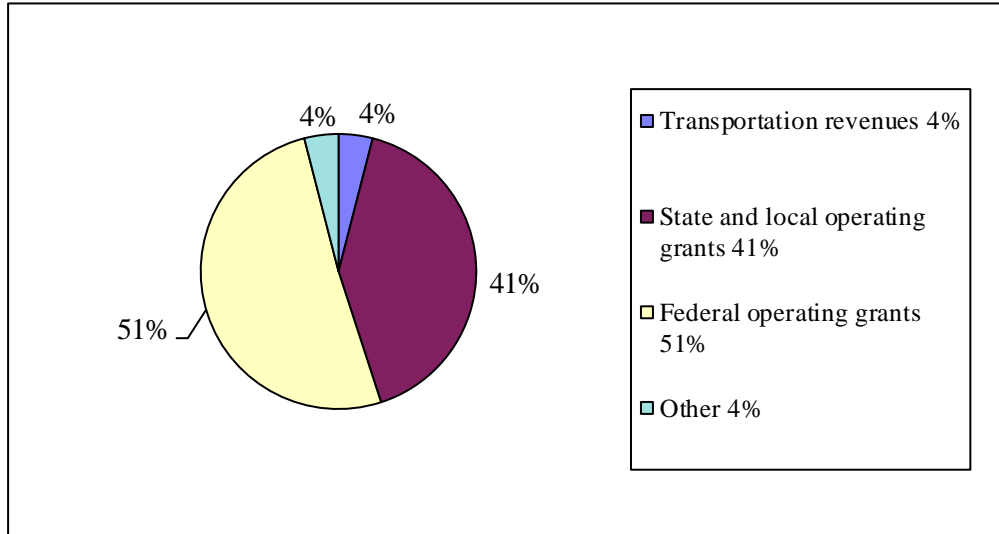
- Fixed Route service expense – increased by \$135,657 or 8.2% from fiscal year 2022 as the Authority moves to return to full services which had been reduced due to the pandemic. The increase is also due to increased management expenses, fuel prices, wages, and maintenance costs.
- Demand response service expense - increased by \$120,758 or 7.0% from fiscal year 2022 due to increased wages, fuel prices, maintenance costs, and associated costs with the Access program. Demand response categories showed increases as services come back online post pandemic.
- Administrative salaries, taxes and fringe benefits expense - increased by \$124,638 primarily due to the change in the net pension liability estimate of \$89,231 from fiscal year 2022. The remaining difference of \$35,407 was due to an increase in wages and fringe benefits (retirement and health insurance).
- Other administrative expenses - increased by \$21,969 or 5.5% from fiscal year 2022 primarily due to an increase in advertising expenses. Other administrative expense categories had marginal increases or decreases.

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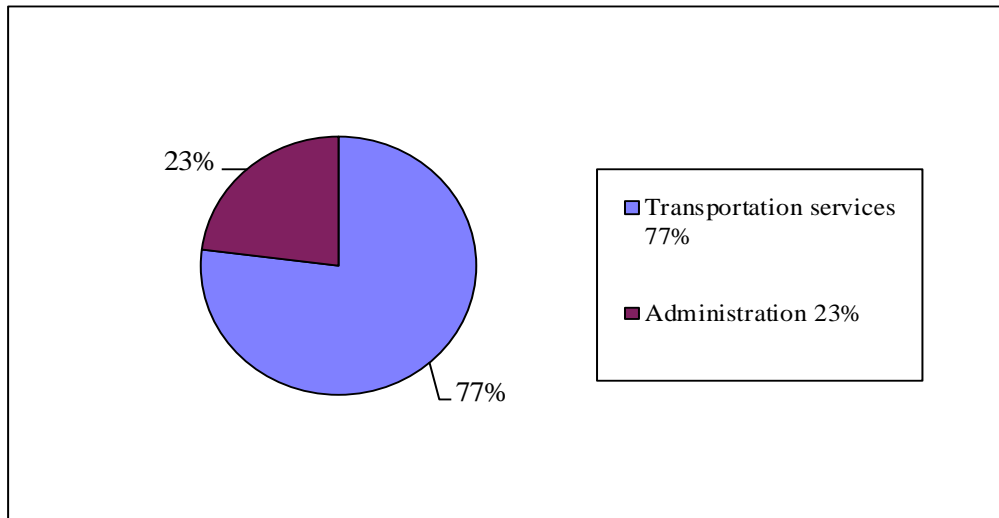
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended June 30, 2023**

Total Operating and Non-operating  
Revenues of \$4,679,000 by Source



Total Operating and Non-operating  
Expenses of \$4,703,352 by Source





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

**For the Year Ended June 30, 2023**

**Budget vs. Actual** – an analysis of significant 2023 budget variances, including reasons for the variances is as follows:

- Fixed route expenses were \$(99,560) more than budget as services began to return to pre-pandemic levels.
- Demand response expenses were \$(123,267) more than budget due to increases in full-time employee salaries and fuel during the year.

**Capital Asset and Debt Administration**

*Capital assets*

The Authority’s purchase of capital assets during the year ended June 30, 2023 was \$9,493,288. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The details on capital assets totaling \$30,428,891, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

The purchase of capital assets includes:

	<u>Amount</u>
Revenue vehicles	\$ 1,369,726
Equipment	92,987
ITC Center improvements	46,540
Construction in process - maintenance facility	<u>7,984,035</u>
Total	<u>\$ 9,493,288</u>

*Revenue Anticipation Notes*

At the end of fiscal year 2023, the Authority had a revenue anticipation note payable of \$1,100,000. This note provides cash flow until federal, state and local appropriations are received.

Subsequent to fiscal year end June 30, 2023, the Authority issued a new \$1,100,000 revenue anticipation note on August 4, 2023 maturing on August 2, 2024 at a rate of 4.50%. The Authority repaid the \$1,100,000 note due August 4, 2023.

*Construction of Maintenance Facility*

On December 17, 2021 the Authority entered into a contract agreement with B.W. Construction Co., Inc. out of Spencer, MA for the construction of the new Maintenance and Operations Facility and associated roadway improvements adjacent to the project site located on Sandy Lane in Turners Falls for \$10,303,365. Early in the project the contractor needed to remove unsuitable soils and bring in structural fill in lifts. Construction continued throughout fiscal year 2023. Below are project highlights of the construction progress through June 30, 2023:

July

- Drainage in Sandy Lane started on 7/5/2022.

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

**For the Year Ended June 30, 2023**

- Installation of wall panels and panel trim through the end of July.
- Roofing started on 7/19/2022.
- Plumbing and electric under slab began on 7/27/2022.
- Sewer, water, and drainage continued on Sandy Lane throughout July.

August

- Began bringing utilities onto site 8/1/2022.
- Drainage on Sandy Lane completed by the end of August.
- Exterior masonry began on 8/18/2022.

September

- Slab prepped and poured.
- Installed on-site water and sewer mains.
- Layout sidewalks by end of September.
- Begin installation of granite curb last week of September.
- End of September started installation of electrical piping and plumbing vents.

October

- Continued prepping/pouring slab.
- Overhead garage doors delivered 10/10/2022.
- Plumbing, HVAC, electrical, and fire protection trades began roughing inside of building during the weeks of 10/14/2022 and 10/21/2022.

November

- Installation of overhead doors completed by the end of the month.
- Poured sidewalks on Sandy Lane 11/25/2022.
- Base coat paving of Sandy Lane started on 11/30/2022.

December

- MEP's rough inspection completed during first week of December.
- Sheet rock office area began at the beginning of the month.
- Site work continued throughout December.
- Poured concrete aprons and sidewalks on 12/13/2022.
- Storefront upper and lower glass installations began 12/20/2022.

January

- Construct interior walls, wallboard, and taping.
- Installation of millwork.
- Tiling in bathrooms.

February

- Priming and painting walls.
- Eversource delivered and installed the transformer on 2/22/2023.
- Ceiling tile installation started on 2/27/2023.

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

**For the Year Ended June 30, 2023**

March

- Doors and hardware installation started on 3/3/2023.
- Carpet installation started on 3/7/2023.
- Building punch list started on 3/29/2023.

April

- Internet was installed and operational on 4/19/2023.
- CCTV cameras and door access controls installed and operational.
- Perimeter fencing installed.

May

- Paving of project site and Sandy Lane started on 5/22/2023 and completed on 5/31/2023.
- Landscaping continued throughout May.

June

- Fire alarm radio box and alarm devices installed and operational.
- Final electrical panel installed.
- Grand opening held on 6/7/2023.
- Temporary certificate of occupancy issued on 6/15.

At the end of fiscal year 2023 the total contract sum, including approved change orders, totaled \$11,099,446. Funds for this project included \$6,000,000 in Federal Section 5339 (Bus and Bus Facilities) funds, with the balance paid for with State RTACAP funding. The first quarter of Fiscal Year 2024 will allow the contractor to complete the punch list and acquire our permanent certificate of occupancy.

**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. The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears (currently 2 years back) through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5%, plus the members' share of any new services.

Local assessments continue to be funded in arrears (1.5 years behind). This contributes in large part to the Authority's borrowing needs.

The Authority has been fare free since the onset of COVID-19 and has access to federal pandemic funds through fiscal year 2024. The Authority extended its suspension of fares on all of its fixed bus route and ADA service through June 30, 2024.

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

**For the Year Ended June 30, 2023**

**Future service / funding needs**

The Authority expects to receive adequate funding in fiscal year 2024 from State Contract Assistance and the Federal 5311 funds that are allocated among the rural RTAs by the Department of Transportation. The Authority also has access to funds from the Federal Cares Act, under a contract with the Massachusetts Department of Transportation.

**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**  
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**STATEMENTS OF NET POSITION**

**June 30,**

	2023	2022
<b>Assets and deferred outflows of resources</b>		
Current assets		
Cash and equivalents	\$ 714,734	\$ 1,320,277
Receivables	3,014,627	2,799,332
Inventory	128,310	147,013
Prepaid expenses	41,229	39,026
Working capital held by fixed route operator	100,000	75,000
Total current assets	3,998,900	4,380,648
Property and equipment, net	30,428,891	22,344,740
Total assets	34,427,791	26,725,388
Deferred outflows of resources		
Deferred outflows related to pensions	505,488	224,226
Total assets and deferred outflows of resources	34,933,279	26,949,614
<b>Liabilities and deferred inflows of resources</b>		
Accounts payable	766,819	1,325,863
Accrued vacation	11,476	7,275
Accrued interest	30,745	3,461
Unearned revenue	202,302	63,061
Note payable	1,100,000	1,100,000
Net pension liability	779,980	362,640
Total liabilities	2,891,322	2,862,300
Deferred inflows of resources		
Deferred inflows related to pensions	226,727	323,357
Total liabilities and deferred inflows of resources	3,118,049	3,185,657
<b>Net position</b>		
Invested in capital assets, net of related debt	30,428,891	22,344,740
Invested in capital funded inventory	31,714	40,384
Restricted	104,136	89,040
Unrestricted	1,250,489	1,289,793
Total net position	\$ 31,815,230	\$ 23,763,957

See notes to financial statements.

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

**For the Year Ended June 30, 2023**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues</b>			
Fixed route income	\$ -	\$ -	\$ -
Demand response income	156,075	171,800	15,725
Total operating revenues	156,075	171,800	15,725
<b>Operating expenses</b>			
Fixed route service	1,686,575	1,786,135	(99,560)
Demand response service	1,713,800	1,837,067	(123,267)
Salaries, taxes and fringe benefits	636,850	628,534	8,316
Other administrative expenses	396,978	420,493	(23,515)
Total operating expenses	4,434,203	4,672,229	(238,026)
Operating income (loss)	(4,278,128)	(4,500,429)	(222,301)
<b>Non-operating revenues (expenses)</b>			
Government operating assistance			
Federal	1,706,808	1,461,726	(245,082)
Federal CARES Act	586,346	910,514	324,168
Massachusetts	1,174,721	1,234,042	59,321
Member communities	570,000	570,000	-
Other federal and state assistance	135,253	135,253	-
Interest income	3,000	18,692	15,692
Advertising income	10,000	44,853	34,853
Rental income	100,000	118,613	18,613
Other income	-	13,507	13,507
Interest expense	(8,000)	(31,123)	(23,123)
Total non-operating revenues (expenses)	4,278,128	4,476,077	197,949
Income (loss) before capital contributions and other items	\$ -	(24,352)	\$ (24,352)
Capital contributions		9,516,472	
Nonreimbursable depreciation		(1,408,993)	
Other nonreimbursable expenses		(31,854)	
Change in net position		8,051,273	
Net position, beginning		23,763,957	
Net position, ending		\$ 31,815,230	

See notes to financial statements.

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

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

**For the Year Ended June 30, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues</b>			
Fixed route income	\$ 88,900	\$ 410	\$ (88,490)
Demand response income	148,705	250,416	101,711
Brokerage service income	-	20,000	20,000
Total operating revenues	237,605	270,826	33,221
<b>Operating expenses</b>			
Fixed route service	1,463,056	1,650,478	(187,422)
Demand response service	1,687,816	1,716,309	(28,493)
Brokerage service	-	8,000	(8,000)
Salaries, taxes and fringe benefits	655,700	503,896	151,804
Other administrative expenses	310,385	398,524	(88,139)
Total operating expenses	4,116,957	4,277,207	(160,250)
Operating income (loss)	(3,879,352)	(4,006,381)	(127,029)
<b>Non-operating revenues (expenses)</b>			
Government operating assistance			
Federal	1,258,705	1,291,470	32,765
Federal CARES Act	586,346	601,593	15,247
Massachusetts	1,376,000	1,463,166	87,166
Member communities	508,841	520,680	11,839
Other federal and state assistance	45,760	45,760	-
Interest income	3,000	3,290	290
Advertising income	10,000	15,354	5,354
Rental income	100,000	118,286	18,286
Other income	2,700	913	(1,787)
Interest expense	(12,000)	(4,348)	7,652
Total non-operating revenues (expenses)	3,879,352	4,056,164	176,812
Income (loss) before capital contributions and other items	\$ -	49,783	\$ 49,783
Capital contributions		5,710,912	
Nonreimbursable depreciation		(932,294)	
Other nonreimbursable expenses		(22,678)	
Change in net position		4,805,723	
Net position, beginning		18,958,234	
Net position, ending		\$ 23,763,957	

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30,**

	2023	2022
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 187,039	\$ 256,367
Payments for goods and services	(3,727,487)	(3,648,342)
Payments to employees	(632,735)	(499,947)
Net cash provided (used) by operating activities	(4,173,183)	(3,891,922)
<b>Cash flows from noncapital financing activities:</b>		
Receipts of operating grants	4,016,473	3,975,771
Proceeds from issuing revenue anticipation note	1,100,000	1,100,000
Repayment of revenue anticipation note	(1,100,000)	(1,100,000)
Interest paid	(3,839)	(13,711)
Net cash provided (used) by noncapital financing activities	4,012,634	3,962,060
<b>Cash flows from capital and related financing activities:</b>		
Receipts of capital grants	9,580,865	7,055,182
Payments for capital acquisitions	(10,044,551)	(7,555,665)
Net cash provided (used) by capital and related financing activities	(463,686)	(500,483)
<b>Cash flows from investing activities:</b>		
Interest income	18,692	3,290
Net cash provided (used) by investing activities	18,692	3,290
Net increase (decrease) in cash and equivalents	(605,543)	(427,055)
Cash and equivalents, beginning	1,320,277	1,747,332
Cash and equivalents, ending	\$ 714,734	\$ 1,320,277
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (4,500,429)	\$ (4,006,381)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	144	1,725
Advertising income	44,853	15,354
Rental income	118,613	118,286
Other income	13,507	913
Other nonreimbursable expenses	(31,854)	(22,678)
Change in assets and liabilities:		
(Increase) decrease in receivables	15,374	272,395
(Increase) decrease in inventory	41,887	12,216
(Increase) decrease in prepaids	(2,203)	(3,761)
(Increase) decrease in working capital held by fixed route operator	(25,000)	-
Increase (decrease) in accounts payable	(30,965)	(174,442)
Increase (decrease) in unearned revenue	139,241	(51,817)
Increase (decrease) in accrued vacation	4,201	(3,949)
Increase (decrease) in net pension liability	39,448	(49,783)
Net cash used by operating activities	\$ (4,173,183)	\$ (3,891,922)

See notes to financial statements.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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. The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority. Its members consist of forty-one 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. 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.

**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, 2023 and 2022, the Authority's reserve balance was \$104,136 and \$89,040, respectively.

### *Unrestricted*

All amounts not included in other spendable classifications.

### **Funding and Revenue Recognition**

The Authority realizes revenue from a variety of different sources including but not limited to local assessment revenue, federal and state operating and capital assistance, fare revenue, and non-fare revenue such as advertising and rental income. Revenue is recognized on the accrual basis of accounting.

The Authority has been fare free since the onset of COVID-19 and has access to federal pandemic funds through fiscal year 2024. The Authority extended its suspension of fares on all of its fixed bus route and ADA service through June 30, 2024.

Federal and state operating and capital assistance grants are recorded at the time eligible expenditures under the terms of the grants are incurred. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

### **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.

### **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 bad debt expense and an adjustment 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 net realizable value. 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 15, 2023, the date which the financial statements were available to be issued.

### **Concentration of Source of Supply of Labor**

The Authority signed a contract effective July 1, 2018 for its fixed route and some of its demand response transportation services with Franklin Transit Management, Inc. (FTM), a wholly-owned subsidiary of First Transit, Inc. The contract expires on June 30, 2028.

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 March 31, 2024.

### **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 or State depository insurance or collateralized. Bank deposits as of June 30, 2023 were \$1,573,189, all of which was insured.

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

	<u>2023</u>	<u>2022</u>
Federal		
Operating assistance	\$ -	\$ 152,184
Operating assistance - Federal CARES Act	<u>404,168</u>	<u>20,000</u>
Total Federal	<u>404,168</u>	<u>172,184</u>
Massachusetts		
Capital assistance	1,795,972	1,860,365
Brokerage services	<u>-</u>	<u>135</u>
Total Massachusetts	<u>1,795,972</u>	<u>1,860,500</u>
Member communities		
Operating assistance for current year expenditures	570,000	520,680
Operating assistance for prior year expenditures	<u>227,642</u>	<u>213,884</u>
Total member communities	<u>797,642</u>	<u>734,564</u>
Other receivables	<u>16,845</u>	<u>32,084</u>
Total receivables	<u>\$ 3,014,627</u>	<u>\$ 2,799,332</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 fiscal year 2020, the Authority received Federal CARES Act funding under Section 5311 to cover eligible operating expenses incurred beginning on or after January 20, 2020. The funding covers 100% of eligible expenses.

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 - WORKING CAPITAL HELD BY FIXED ROUTE OPERATOR**

Franklin Transit Management, Inc. (FTM) is the fixed route operator for the Authority. They also operate a portion of the demand response service for the Authority. The assets and liabilities held by FTM are owned by the Authority and consist mainly of cash, inventory, prepaid expenses, and accounts payable and accrued wages. The value of these assets less liabilities held by FTM as of June 30, 2023 and 2022 was \$100,000 and \$75,000, respectively, and is reported as working capital in the Authority's financial statements.



**NOTE 6 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:**

The Authority is subsidized by local assessments received from its Member communities for its annual “Net Cost of Service”. 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>2023</u>	<u>2022</u>
3.10% Revenue anticipation note, due August 4, 2023	\$ 1,100,000	\$ -
0.35% Revenue anticipation note, due August 5, 2022	<u>-</u>	<u>1,100,000</u>
Total	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

On August 4, 2023, the Authority issued a \$1,100,000 revenue anticipation note maturing on August 2, 2024 at a rate of 4.50%. The Authority repaid the \$1,100,000 note due August 4, 2023.

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 7 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:**

	<u>2023</u>				
	<u>Invested in capital assets, net of debt</u>	<u>Invested in Capital Funded Inventory</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net income (loss)	\$ -	\$ -	\$ -	\$ (24,352)	\$ (24,352)
Reimbursable depreciation	(144)	-	-	144	-
Nonreimbursable depreciation	(1,408,993)	-	-	-	(1,408,993)
Other nonreimbursable expenses	-	(31,854)	-	-	(31,854)
Capital contributions	9,493,288	23,184	-	-	9,516,472
Increase in reserve for extraordinary expenses	<u>-</u>	<u>-</u>	<u>15,096</u>	<u>(15,096)</u>	<u>-</u>
Increase (decrease) in net position	8,084,151	(8,670)	15,096	(39,304)	8,051,273
Net position, beginning	<u>22,344,740</u>	<u>40,384</u>	<u>89,040</u>	<u>1,289,793</u>	<u>23,763,957</u>
Net position, ending	<u>\$ 30,428,891</u>	<u>\$ 31,714</u>	<u>\$ 104,136</u>	<u>\$ 1,250,489</u>	<u>\$ 31,815,230</u>

**Restricted net position**

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, 2023 and 2022, the Authority’s reserved balance was \$104,136 and \$89,040, respectively.

**NOTE 7 - (Continued)**

	2022				
	Invested in capital assets, net of debt	Invested in Capital Funded Inventory	Restricted	Unrestricted	Total
Net income (loss)	\$ -	\$ -	\$ -	\$ 49,783	\$ 49,783
Reimbursable depreciation	(1,725)	-	-	1,725	-
Nonreimbursable depreciation	(932,294)	-	-	-	(932,294)
Other nonreimbursable expenses	-	(22,678)	-	-	(22,678)
Capital contributions	5,694,647	16,265	-	-	5,710,912
Increase (decrease) in net position	4,760,628	(6,413)	-	51,508	4,805,723
Net position, beginning	17,584,112	46,797	89,040	1,238,285	18,958,234
Net position, ending	\$ 22,344,740	\$ 40,384	\$ 89,040	\$ 1,289,793	\$ 23,763,957

**NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2023:**

- A. The Authority provided seven fixed routes with the hub being in Greenfield going to Northampton, Orange, Shelburne/Charlemont, Sunderland, and other locations within Greenfield and Montague. Only one route (Route 22) remained suspended throughout the entire operating period due to the COVID-19 pandemic and the Authority is re-evaluating reinstating that route in its current form. During the year ended June 30, 2023 the Authority contracted with Franklin Transit Management, Inc. (FTM), a wholly-owned subsidiary of First Transit, Inc., to provide this service, with direct reimbursement for expenses and a management fee paid. FTM operated twenty of the Authority’s thirty-five vehicles providing regular maintenance and drivers.
- B. For the year ended June 30, 2023, the Authority contracted with one individual taxi/livery company on a pilot project to deliver 2<sup>nd</sup> and 3<sup>rd</sup> shift employment transportation. This project was operated originally in part by a grant from the Metropolitan Area Planning Council (MAPC), and for the year ended June 30, 2023 operated in part by a grant from MassDevelopment. Transportation for this project is available to residents living in Franklin County or the North Quabbin and are employed at businesses in Franklin County.
- C. Under agreement to the Authority, nine agencies, including six Councils on Aging (COA), and three private vendors, in addition to a group of volunteers, provided demand-response paratransit service to qualified elderly and disabled persons in their communities. In addition, the Authority also offers service to the general public to fill vacant seats on demand-response paratransit vehicles – called the Access program. At the Advisory Board meeting in May 2022, the board voted to make the Access program permanent. Customers make fare payments to the agencies, or in some cases directly to the Authority. The agencies submit invoices to the Authority for payment less fares. Service was available and provided in the following towns.

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

## NOTE 9 - PENSION PLAN

### Plan

The Franklin Regional Retirement System (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan that provides pensions for eligible employees of 38 participating employers. The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Plan does not have the authority to amend benefit provisions. The Plan is governed by a Retirement Board made up of five elected and appointed members.

Results of the Plan for the fiscal year ended June 30, 2023 are based on liabilities developed in an actuarial valuation performed as of January 1, 2022 for the Plan's measurement date of December 31, 2022.

Results of the Plan for the fiscal year ended June 30, 2022 are based on liabilities developed in an actuarial valuation performed as of January 1, 2022 for rolled forward to the Plan's measurement date of December 31, 2021.

### Accounting Policy

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Plan Membership

Plan membership consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Active plan members	1,051	993
Inactive plan members or beneficiaries currently receiving benefits	693	675
Inactive plan members entitled to but not yet receiving benefits	<u>713</u>	<u>731</u>
Total	<u>2,457</u>	<u>2,399</u>

### Benefits Provided

The Plan provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's final 3-year (5-year for members hired after April 1, 2012) average compensation times the member's years of service. The percentage is based on the age of the member at retirement and his or her Group classification. 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. Cost-of-living adjustments of 3% of the first \$17,000 of annual retirement allowance are provided at the discretion of the System's Retirement Board.

### Contributions

Plan members are required to contribute a percentage of their annual compensation that varies according to their membership date, as follows:

Prior to 1975:	5% of salary
1975 – 1983:	7% of salary
1984 – June 30, 1996:	8% of salary
July 1, 1996 – present:	9% of salary
1979 – present:	An additional 2% of salary in excess of \$30,000
Group 1 members hired on or after April 2, 2012:	6% of salary with 30 or more years of creditable service

Employer contributions are determined in accordance with the requirements set forth in Section 22D and 22F of Chapter 32 of the Massachusetts General Laws. The appropriation is comprised of the annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability.



## NOTE 9 - (Continued)

### Actuarial Assumptions

The total pension liability in the December 31, 2022 and 2021 actuarial valuations were determined using the following assumptions, applied to all periods included in the measurement:

Inflation:	2.4% per year, for the year ended December 31, 2022 2.4% per year, for the year ended December 31, 2021
Salary increases:	Group 1: 6% - 4.00%, based on service Group 4: 7% - 4.50%, based on service
Investment rate of return:	7.25%, net of pension plan investment expense, including inflation, for the ended December 31, 2022  7.25%, net of pension plan investment expense, including inflation, for the ended December 31, 2021

Mortality rates for the 2022 actuarial valuation was based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

Mortality rates for the 2021 actuarial valuation was based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

The long-term expected rate of return on pension plan investments for the 2022 and 2021 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, are summarized in the following table:

Asset Class	2022		2021	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
PRIT Core	40%	5%	40%	7%
Domestic Equity	32%	5%	32%	9%
International Equity	5%	6%	5%	7%
Real Estate	10%	3%	10%	7%
Fixed Income	13%	2%	13%	2%
Total	100.00%		100.00%	

**NOTE 9 - (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% for the 2022 and 2021 actuarial valuations, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in net pension liability**

	Franklin Regional Retirement System			Franklin Regional Transit Authority		
	100%			1.15% for 2022	1.19% for 2021	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2021	\$214,134,900	\$173,563,336	\$ 40,571,564	\$ 2,570,912	\$ 2,083,808	\$ 487,104
Net changes	21,046,318	31,159,799	(10,113,481)	229,207	353,671	(124,464)
Balance at December 31, 2021	235,181,218	204,723,135	30,458,083	2,800,119	2,437,479	362,640
Net changes	8,504,433	(28,865,590)	37,370,023	2,108	(415,232)	417,340
Balance at December 31, 2022	<u>\$243,685,651</u>	<u>\$175,857,545</u>	<u>\$ 67,828,106</u>	<u>\$ 2,802,227</u>	<u>\$ 2,022,247</u>	<u>\$ 779,980</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rates of 7.25% for 2022 and 2021, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	Authority's proportionate share of the net pension liability as of December 31, 2022	\$ 1,090,816	\$ 779,890
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	Authority's proportionate share of the net pension liability as of December 31, 2021	\$ 675,775	\$ 362,640

**Payable to Pension Plan**

At June 30, 2023 and 2022, the Authority reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

**NOTE 9 - (Continued)****Pension Liabilities, Expense and Deferred Inflows and Outflows of Resources**

At June 30, 2023, the Authority reported a liability of \$779,980 for its proportionate share of the net pension liability (\$362,640 at June 30, 2022). The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension relative to the projected contributions of all participating System employers, actuarially determined. At December 31, 2022 and 2021, the Authority's proportion was 1.15% and 1.19%, respectively. Net pension liability, deferred outflows/inflows of resources and pension expense are allocated to each employer based on its proportionate share of total employer contributions. For the year ended June 30, 2023, the Authority recognized pension expense of \$133,923 (pension contribution of \$94,475 plus the increase in net pension liability of \$39,448). For the year ended June 30, 2022, the Authority recognized pension expense of \$42,692 (pension contribution of \$92,475 less the reduction in net pension liability of \$49,783). Contributions made subsequent to the measurement date of December 31, 2022 were \$47,749 (\$46,726 subsequent to December 31, 2021 measurement date).

At June 30, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 23,979	\$ 1,606	\$ 35,960	\$ 4,222
Net difference between projected and actual investment earnings on pension plan assets	372,720	208,429	38,631	314,509
Changes in assumptions	56,375	-	87,239	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,665	16,692	15,670	4,626
Contributions subsequent to the measurement date	<u>47,749</u>	<u>-</u>	<u>46,726</u>	<u>-</u>
Total	<u>\$ 505,488</u>	<u>\$ 226,727</u>	<u>\$ 224,226</u>	<u>\$ 323,357</u>

Deferred outflow and inflow of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>2023</u>	<u>2022</u>
2022	\$ -	\$ 33,609
2023	80,316	(58,524)
2024	57,281	(32,775)
2025	48,948	(41,441)
2026	<u>92,216</u>	<u>-</u>
Total deferred outflows of resources	<u>\$ 278,761</u>	<u>\$ (99,131)</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report that includes financial statements and required supplementary information for the Plan. The Plan's report can be obtained by writing to Franklin Regional Retirement System, 278 Main Street, Suite 311, Greenfield, MA 01301.

**NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES**

*Fiscal year 2024 budget*

For the fiscal year 2024, the Authority has approved an operating budget of \$4,814,860, 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 11 - OPERATING LEASES**

*Operating Lease Expense - Maintenance Facility*

The Authority leased a maintenance and operations facility located at 382 Deerfield Street, Greenfield, Massachusetts on a month-to-month basis ending June 2023. Total lease expense, including utilities and maintenance was \$131,374 and \$118,255 for the years ended June 30, 2023 and 2022, 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 \$118,613 and \$118,286 for the years ended June 30, 2023 and 2022, respectively.

**NOTE 12 - FEDERAL CARES ACT FUNDING**

The Authority was awarded federal operating assistance under the Coronavirus Aid Relief and Economic Security (CARES) Act through existing federal program 49 USC Section 5311, passed through the Massachusetts Department of Transportation. The funding is to cover eligible operating expenses and other costs, net of fare revenue, incurred as part of the Authority’s response to COVID-19 beginning on or after January 20, 2020. The funding covers 100% of eligible expenses and does not require state or local matches. The full amount of the federal award is \$3,795,381.

	Award Amount	Funds Spent through Fiscal Year 2022	Funds Spent in Fiscal Year 2023	Remaining Award Amount
Federal CARES Act funding passed through the Massachusetts Department of Transportation				
Federal Section 5311	\$ 3,795,381	\$ 979,521	\$ 910,514	\$ 1,905,346

## NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Authority reviewed all software and information technology contracts and agreements and determined none met the criteria for reporting as a SBITA under this statement. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 99, *Omnibus 2022*, for implementation in fiscal year 2023 and 2024. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, for implementation in fiscal year 2023. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement had no impact on the Authority's financial reporting.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2023**

**Schedule of the Authority's Proportionate Share  
of the Net Pension Liability**

	Plan Year Ended December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Franklin Regional Retirement System net pension liability	\$ 67,828,106	\$ 30,458,083	\$ 40,571,564	\$ 48,878,620	\$ 61,337,732	\$ 45,720,415	\$ 52,538,226	\$ 46,589,813	\$ 37,534,273
Authority's proportion of the net pension liability	1.15%	1.19%	1.20%	1.20%	1.14%	1.06%	0.95%	0.85%	0.93%
Authority's proportionate share of the net pension liability	\$ 779,980	\$ 362,640	\$ 487,104	\$ 588,281	\$ 696,756	\$ 482,533	\$ 499,209	\$ 397,900	\$ 349,069
Authority's covered-employee payroll	\$ 397,926	\$ 398,267	\$ 386,714	\$ 372,671	\$ 347,069	\$ 342,037	\$ 401,188	\$ 341,220	\$ 353,318
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.01%	91.05%	125.96%	157.86%	200.75%	141.08%	124.43%	116.61%	98.80%
Plan fiduciary net position as a percentage of the total pension liability	72.17%	87.05%	81.05%	76.27%	68.98%	75.89%	70.75%	71.73%	75.98%

**Schedule of Authority Pension Contributions**

	Plan Year Ended December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Franklin Regional Retirement System contractually required contribution	\$ 8,126,717	\$ 7,684,976	\$ 7,268,256	\$ 6,871,971	\$ 6,506,893	\$ 6,166,761	\$ 5,875,820	\$ 5,645,345	\$ 5,888,495
Authority's contractually required contribution	93,452	91,499	87,263	82,708	73,914	65,084	55,831	48,214	53,064
Authority's contributions in relation to the contractually required contribution	(93,452)	(91,499)	(87,263)	(82,708)	(73,914)	(65,084)	(55,831)	(48,214)	(53,064)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 397,926	\$ 398,267	\$ 386,714	\$ 372,671	\$ 347,069	\$ 342,037	\$ 401,188	\$ 341,220	\$ 353,318
Contributions as a percentage of covered-employee payroll	23.48%	22.97%	22.57%	22.19%	21.30%	19.03%	13.92%	14.13%	15.02%

**Notes to the Required Supplementary Information**

Changes of benefit terms: There were no changes in benefit terms.  
Changes of assumptions: There were no changes in assumptions.  
Last 10 years: Only plan years 2014 to 2022 available.

See independent auditors' report.

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

**SUPPLEMENTARY INFORMATION**

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

	2023	2022
Total operating expenses	\$ 4,672,229	\$ 4,277,207
Interest expense	31,123	4,348
Eliminate GASB adjustment to pension expense	(39,448)	49,783
Total eligible expenses	4,663,904	4,331,338
Revenues applied to eligible expenses:		
Fixed route income	-	410
Demand response income	171,800	250,416
Brokerage service income	-	20,000
Other assistance	135,253	45,760
Interest income	18,692	3,290
Advertising income	44,853	15,354
Rental income	118,613	118,286
Other income	13,507	913
Total revenues applied to eligible expenses	502,718	454,429
Net operating expenses eligible under Section 5311	4,161,186	3,876,909
Less CARES Act funding received under Section 5311 for 100% of eligible operating expenses incurred	910,514	601,593
Remaining operating expenses eligible under Section 5311 subject 50% participation in eligible expenses	3,250,672	3,275,316
Federal participation in eligible expenses	x 50%	x 50%
Maximum Section 5311 operating assistance allowed	\$ 1,625,336	\$ 1,637,658
Section 5311 operating assistance sought (amount of maximum funding above or less)	\$ 1,461,726	\$ 1,291,470

Note 1: The following nonreimbursable items are not included in the eligible expenses above:

- Depreciation taken on property and equipment purchased with capital grant funding.
- Expenses taken on inventory purchased with capital grant funding.
- GASB adjustment for the change in the Authority's net pension liability.

See independent auditors' report.

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

**SUPPLEMENTARY INFORMATION**  
**STATEMENTS OF NET COST OF SERVICE**

**For the Years Ended June 30,**

	<u>2023</u>	<u>2022</u>
Operating costs		
Administrative costs	\$ 1,049,027	\$ 902,420
Purchased services		
Fixed route service	1,786,135	1,650,478
Demand response service	1,837,067	1,716,309
Brokerage service	-	8,000
Debt service	31,123	4,348
Eliminate GASB adjustment to pension expense	<u>(39,448)</u>	<u>49,783</u>
Total operating costs	<u>4,663,904</u>	<u>4,331,338</u>
Operating assistance and revenues		
Federal and other operating assistance	<u>2,507,493</u>	<u>1,938,823</u>
Revenues		
Local revenues		
Fixed route income	-	410
Demand response income	171,800	250,416
Brokerage service income	-	20,000
Interest income	18,692	3,290
Advertising income	44,853	15,354
Rental income	118,613	118,286
Other income	<u>13,507</u>	<u>913</u>
Total local revenues	<u>367,465</u>	<u>408,669</u>
Total operating assistance and revenues	<u>2,874,958</u>	<u>2,347,492</u>
Net operating deficit	1,788,946	1,983,846
Increase in reserve for extraordinary expenses	<u>15,096</u>	<u>-</u>
Net cost of service	<u>1,804,042</u>	<u>1,983,846</u>
Net cost of service funding		
Local assessments	570,000	520,680
State contract assistance	<u>1,234,042</u>	<u>1,463,166</u>
Total funding	<u>1,804,042</u>	<u>1,983,846</u>
Unreimbursed deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>

The following nonreimbursable items are not included in the eligible expenses above:

- Depreciation taken on property and equipment purchased with capital grant funding.
- Expenses taken on inventory purchased with capital grant funding.
- GASB adjustment for the change in the Authority's net pension liability.

See independent auditors' report.





# Adelson & Company PC

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## INDEPENDENT AUDITORS' 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 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 as of and for the year ended June 30, 2023, 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 15, 2023.

### ***Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

### ***Report on 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 financial statements. 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 15, 2023