

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

Financial Statements and
Supplementary Information

June 30, 2024 and 2023

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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 the Franklin Regional Transit Authority, as of and for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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.

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 24 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 GAAS, 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 25 and 26 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 GAAS. 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 16, 2024 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.

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September 16, 2024

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

The Franklin Regional Transit Authority's (the Authority) discussion and analysis for the fiscal year ended June 30, 2024 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 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, 2024 by \$31,448,543.
- The Authority's cost of operations for fiscal year 2024 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 26 of the financial statements.
- The Authority's total net position decreased \$366,687 from fiscal year 2023, mainly due to the following items: contributed capital received from the federal and state government for the acquisition of capital assets and construction of the new maintenance facility of \$1,491,473, current year non-reimbursable depreciation on capital assets of \$1,800,725 and other non-reimbursable expenses of \$61,288, an increase in the Authority's reserve of \$9,864 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 \$6,011 which are non-reimbursable items at this time.
- Operating revenues decreased \$9,665 or 5.6% from fiscal year 2023.
- Operating expenses increased \$79,923 or 1.7% from fiscal year 2023. This was primarily due to a decrease in fixed route service expenses of \$29,343, an increase in demand response service expenses of \$242,066, and a decrease in administrative expenses of \$132,800.
- 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 through 2029. The Authority has used \$2,571,339 of this funding through fiscal year 2024. The remaining balance of \$1,224,042 is carried forward to fiscal year 2025.
- 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, 2024

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

	6/30/2024	6/30/2023	Change
Total current assets	\$ 3,820,614	\$ 3,998,900	\$ (178,286)
Property and equipment, net	30,089,532	30,428,891	(339,359)
Deferred outflows of resources related to pensions	385,980	505,488	(119,508)
Total assets and deferred outflows of resources	34,296,126	34,933,279	(637,153)
Accounts payable and accrued expenses	621,996	764,040	(142,044)
Note payable	1,100,000	1,100,000	-
Unearned revenue	160,886	247,302	(86,416)
Net pension liability	686,514	779,980	(93,466)
Deferred inflows of resources related to pensions	206,696	226,727	(20,031)
Total liabilities and deferred inflows of resources	2,776,092	3,118,049	(341,957)
Investment in capital assets, net of related debt	30,089,532	30,428,891	(339,359)
Invested in capital funded inventory	8,632	31,714	(23,082)
Restricted reserve	114,000	104,136	9,864
Unrestricted	1,236,379	1,250,489	(14,110)
Total net position	\$ 31,448,543	\$ 31,815,230	\$ (366,687)

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

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

	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>Change</u>
Total operating revenues	\$ 162,135	\$ 171,800	\$ (9,665)
Total operating expenses	<u>4,752,152</u>	<u>4,672,229</u>	<u>79,923</u>
Operating income (loss)	(4,590,017)	(4,500,429)	(89,588)
Total non-operating revenues (expenses)	<u>4,593,870</u>	<u>4,476,077</u>	<u>117,793</u>
Income (loss) before capital contributions and other items	3,853	(24,352)	28,205
Capital contributions	1,491,473	9,516,472	(8,024,999)
Nonreimbursable depreciation	(1,800,725)	(1,408,993)	(391,732)
Other nonreimbursable expenses	<u>(61,288)</u>	<u>(31,854)</u>	<u>(29,434)</u>
Change in net position	(366,687)	8,051,273	(8,417,960)
Net position, beginning	<u>31,815,230</u>	<u>23,763,957</u>	<u>8,051,273</u>
Net position, ending	<u>\$ 31,448,543</u>	<u>\$ 31,815,230</u>	<u>\$ (366,687)</u>

Operating revenues decreased \$9,665 or 5.6% from fiscal year 2023.

Operating expenses increased \$79,923 or 1.7% from fiscal year 2023. The details are as follows:

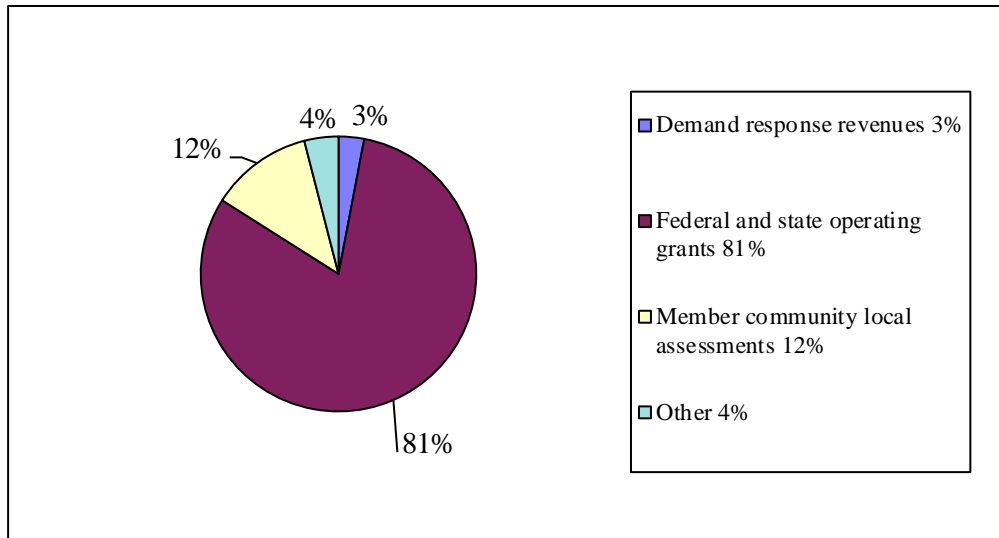
- Fixed Route service expense – decreased by \$29,343 or 1.6% from fiscal year 2023.
- Demand response service expense - increased by \$242,066 or 13.2% from fiscal year 2023 due to increased wages, fuel prices, maintenance costs, and other associated costs with the increased demand for the service.
- Administrative salaries, taxes and fringe benefits expense - decreased by \$49,844 or 7.9% primarily due to not being fully staffed in the finance department during the year.
- Other administrative expenses - decreased by \$82,956 or 19.7% from fiscal year 2023 primarily due to less repairs and maintenance needed to the ITC facility, reduction in purchasing small equipment, and reduction in the need for professional and technical services.

FRANKLIN REGIONAL TRANSIT AUTHORITY
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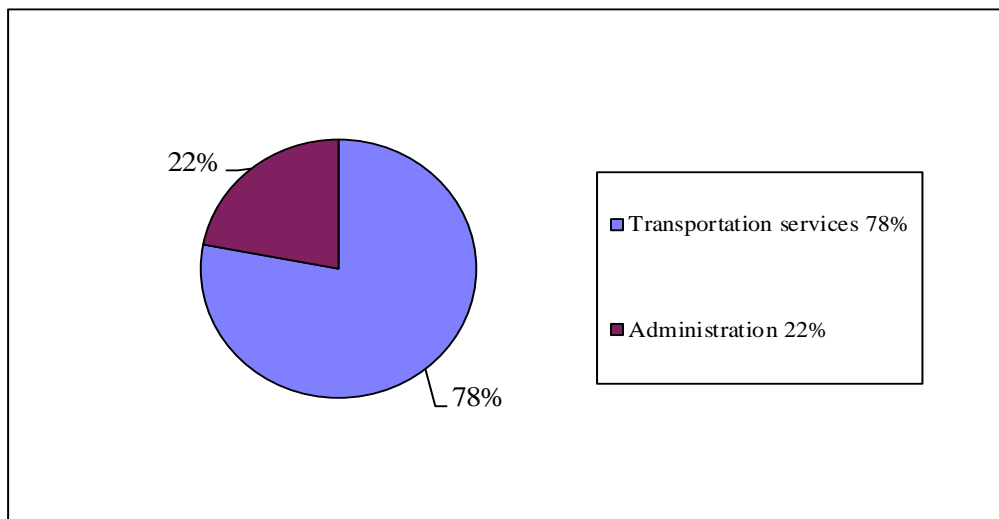
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

Total Operating and Non-operating
Revenues of \$4,800,846 by Source



Total Operating and Non-operating
Expenses of \$4,796,993 by Source



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

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

Budget vs. Actual – an analysis of significant 2024 budget variances, including reasons for the variances is as follows:

- Fixed route expenses were \$149,382 less than budget due in part to the driver shortage. The Authority was not able to fully operate the new addition of weekend service and managers were called in to cover shortages. We had several other positions that went unfilled for short periods of time and others who were out on medical leave which resulted in decreased wages and benefits.
- Demand response expenses were \$124,033 more than budget due to increased demand for this service.
- Salaries, taxes and fringe benefits were \$101,394 less than budget due to less staff during the year.

Capital Asset and Debt Administration

Capital assets

The Authority’s purchase of capital assets during the year ended June 30, 2024 was \$1,482,895. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The details on capital assets totaling \$30,089,532, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

The purchase of capital assets includes:

	<u>Amount</u>
Revenue vehicles	\$ 745,307
Equipment	371,048
Maintenance facility	<u>366,540</u>
Total	<u>\$ 1,482,895</u>

The new operations and maintenance facility was completed during fiscal year 2024 and placed into service. The total cost of the project was \$15,785,889.

Revenue Anticipation Notes

At the end of fiscal year 2024, 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, 2024, the Authority issued a new \$1,200,000 revenue anticipation note on August 2, 2024 maturing on August 1, 2025 at a rate of 4.00%. The Authority repaid the \$1,100,000 note due August 2, 2024.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

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 on operating assistance from the Commonwealth of Massachusetts. The Authority's net cost of service is also funded 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 2029. The Authority extended its suspension of fares on all of its fixed bus route and ADA service through June 30, 2025.

Future service / funding needs

The Authority expects to receive adequate funding in fiscal year 2025 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
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENTS OF NET POSITION

June 30,

	2024	2023
Assets and deferred outflows of resources		
Current assets		
Cash and equivalents	\$ 1,031,669	\$ 714,734
Receivables	2,345,982	3,014,627
Inventory	117,539	128,310
Prepaid expenses	225,424	41,229
Working capital held by fixed route operator	100,000	100,000
Total current assets	3,820,614	3,998,900
Property and equipment, net	30,089,532	30,428,891
Total assets	33,910,146	34,427,791
Deferred outflows of resources		
Deferred outflows related to pensions	385,980	505,488
Total assets and deferred outflows of resources	34,296,126	34,933,279
Liabilities and deferred inflows of resources		
Accounts payable	562,670	721,073
Compensated absences	11,476	12,222
Due to Commonwealth of Massachusetts	71,491	-
Accrued interest	47,850	30,745
Unearned revenue	160,886	247,302
Note payable	1,100,000	1,100,000
Net pension liability	686,514	779,980
Total liabilities	2,640,887	2,891,322
Deferred inflows of resources		
Deferred inflows related to pensions	206,696	226,727
Total liabilities and deferred inflows of resources	2,847,583	3,118,049
Net position		
Invested in capital assets, net of related debt	30,089,532	30,428,891
Invested in capital funded inventory	8,632	31,714
Restricted	114,000	104,136
Unrestricted	1,236,379	1,250,489
Total net position	\$ 31,448,543	\$ 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, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Fixed route income	\$ -	\$ -	\$ -
Demand response income	<u>369,885</u>	<u>162,135</u>	<u>(207,750)</u>
Total operating revenues	<u>369,885</u>	<u>162,135</u>	<u>(207,750)</u>
Operating expenses			
Fixed route service	1,906,174	1,756,792	149,382
Demand response service	1,955,100	2,079,133	(124,033)
Salaries, taxes and fringe benefits	680,084	578,690	101,394
Other administrative expenses	<u>332,167</u>	<u>337,537</u>	<u>(5,370)</u>
Total operating expenses	<u>4,873,525</u>	<u>4,752,152</u>	<u>121,373</u>
Operating income (loss)	<u>(4,503,640)</u>	<u>(4,590,017)</u>	<u>(86,377)</u>
Non-operating revenues (expenses)			
Government assistance			
Federal	1,920,725	758,589	(1,162,136)
Federal CARES Act	550,000	681,304	131,304
Massachusetts	1,235,000	2,329,977	1,094,977
Member communities	584,250	584,250	-
Other federal and state assistance	93,665	93,665	-
Interest income	10,000	28,839	18,839
Advertising income	25,000	19,265	(5,735)
Rental income	120,000	135,656	15,656
Other income	-	7,166	7,166
Interest expense	<u>(35,000)</u>	<u>(44,841)</u>	<u>(9,841)</u>
Total non-operating revenues (expenses)	<u>4,503,640</u>	<u>4,593,870</u>	<u>90,230</u>
Income (loss) before capital contributions and other items	<u>\$ -</u>	3,853	<u>\$ 3,853</u>
Capital contributions		1,491,473	
Nonreimbursable depreciation		(1,800,725)	
Other nonreimbursable expenses		<u>(61,288)</u>	
Change in net position		(366,687)	
Net position, beginning		<u>31,815,230</u>	
Net position, ending		<u>\$ 31,448,543</u>	

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, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Fixed route income	\$ -	\$ -	\$ -
Demand response income	<u>156,075</u>	<u>171,800</u>	<u>15,725</u>
Total operating revenues	<u>156,075</u>	<u>171,800</u>	<u>15,725</u>
Operating expenses			
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	<u>396,978</u>	<u>420,493</u>	<u>(23,515)</u>
Total operating expenses	<u>4,434,203</u>	<u>4,672,229</u>	<u>(238,026)</u>
Operating income (loss)	<u>(4,278,128)</u>	<u>(4,500,429)</u>	<u>(222,301)</u>
Non-operating revenues (expenses)			
Government 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	<u>(8,000)</u>	<u>(31,123)</u>	<u>(23,123)</u>
Total non-operating revenues (expenses)	<u>4,278,128</u>	<u>4,476,077</u>	<u>197,949</u>
Income (loss) before capital contributions and other items	<u>\$ -</u>	<u>(24,352)</u>	<u>\$ (24,352)</u>
Capital contributions		9,516,472	
Nonreimbursable depreciation		(1,408,993)	
Other nonreimbursable expenses		<u>(31,854)</u>	
Change in net position		8,051,273	
Net position, beginning		<u>23,763,957</u>	
Net position, ending		<u>\$ 31,815,230</u>	

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,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Receipts from customers	\$ 166,412	\$ 187,039
Payments for goods and services	(5,067,586)	(3,727,487)
Payments to employees	<u>(577,944)</u>	<u>(632,735)</u>
Net cash provided (used) by operating activities	<u>(5,479,118)</u>	<u>(4,173,183)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	4,776,328	4,016,473
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	<u>(27,736)</u>	<u>(3,839)</u>
Net cash provided (used) by noncapital financing activities	<u>4,748,592</u>	<u>4,012,634</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,998,981	9,580,865
Payments for capital acquisitions	<u>(980,359)</u>	<u>(10,044,551)</u>
Net cash provided (used) by capital and related financing activities	<u>1,018,622</u>	<u>(463,686)</u>
Cash flows from investing activities:		
Interest income	<u>28,839</u>	<u>18,692</u>
Net cash provided (used) by investing activities	<u>28,839</u>	<u>18,692</u>
Net increase (decrease) in cash and equivalents	316,935	(605,543)
Cash and equivalents, beginning	<u>714,734</u>	<u>1,320,277</u>
Cash and equivalents, ending	<u>\$ 1,031,669</u>	<u>\$ 714,734</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (4,590,017)	\$ (4,500,429)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	2,025	144
Advertising income	19,265	44,853
Rental income	135,656	118,613
Other income	7,166	13,507
Other nonreimbursable expenses	(61,288)	(31,854)
Change in assets and liabilities:		
(Increase) decrease in receivables	(844,312)	15,374
(Increase) decrease in inventory	29,473	41,887
(Increase) decrease in prepaids	(184,195)	(2,203)
(Increase) decrease in working capital held by fixed route operator	-	(25,000)
Increase (decrease) in accounts payable	88,260	(30,965)
Increase (decrease) in unearned revenue	(86,416)	139,241
Increase (decrease) in compensated absences	(746)	4,201
Increase (decrease) in net pension liability	<u>6,011</u>	<u>39,448</u>
Net cash used by operating activities	<u>\$ (5,479,118)</u>	<u>\$ (4,173,183)</u>
Noncash supplemental disclosures		
Capital assets purchased on behalf of the Authority by the Commonwealth	<u>\$ 676,906</u>	<u>\$ -</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2024 and 2023

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 operation and maintenance of the Authority's transit services is performed by a private sector transportation company (the Operator) under terms and agreements whereby the Operator provides mass transit along such routes and according to such schedules as may be defined by the Authority. The Operator is also responsible for the maintenance of the Authority's transportation property (operations and maintenance facility, rolling stock, and other transportation equipment). In return, the Authority agrees to pay the Operator a management fee and to reimburse the Operator for all costs and expenses which are reasonable and necessary for the efficient operation and maintenance of the transit service (see also Notes 4 and 8).

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.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the Authority, (2) organizations for which the Authority is financially accountable and (3) other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board (GASB) statements have been considered, and no component units were identified to be included in the Authority's financial statements.

The financial statements of the Authority are incorporated into the financial statements of the Commonwealth of Massachusetts as the Authority is a component unit of the Massachusetts Department of Transportation.

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 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 operating revenues consist of fares for demand response transit services. The Authority's fixed route service has been fare free since the onset of COVID-19 and has access to federal pandemic funds through fiscal year 2029. The Authority extended its suspension of fares on all of its fixed route and ADA service through June 30, 2025.

NOTE 1 - (Continued)

Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and reimbursable 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.

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, 2024 and 2023, the Authority's reserve balance was \$114,000 and \$104,136, 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. Revenue received in advance is reported as unearned revenue on the statement of net position.

The Authority has been fare free since the onset of COVID-19 and has extended its suspension of fares on all of its fixed bus route and ADA service through June 30, 2025.

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.

Federal Grants and Contracts

The federal government under 49 USC Section 5311, provides for assistance of up to 50% of the Authority's eligible operating costs. In addition, under 49 USC Sections 5309, 5310 and 5311, the federal government may provide 80% to 100% of the cost of capital acquisitions. The Authority has also received Federal CARES Act funding under Section 5311 to cover eligible operating expenses incurred through September 2029, which covers 100% of eligible expenses.

Local Assessments

The Authority's net cost of service is funded through local assessments to member municipalities (cities and towns constituting the Authority), which may increase by no more than 2.5% annually plus the members' share of any new services.

State Contract Assistance

The Authority has a contract with the Commonwealth of Massachusetts (executed through the Massachusetts Department of Transportation), pursuant to MGL 161B, to provide operating assistance for a portion the Authority's net cost of service (operating deficit remaining after federal grants and local assessments have been applied, including payments made for debt service during the period, and excluding non-reimbursable expenses and depreciation).

NOTE 1 - (Continued)

Funding is determined in the Commonwealth's annual budget and is allocated between the regional transit authorities in the State based on a formula considering such factors as size and operating environment, ridership, and previous State funding levels.

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.

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.

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.

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.

Compensated Absences

Full-time and part-time employees are eligible for vacation leave with pay. Unused vacation leave may be accumulated and carried over to the next fiscal year up to a maximum of two weeks (ten days). Any unused vacation time in excess of two weeks left in the current fiscal year may be paid out to the employee with the approval of the Administrator prior to the close of the current fiscal year.

Full-time and part-time employees are eligible for sick leave. Sick leave accrues at the rate of 1.25 days per month for full-time employees and pro-rata for part-time employees as defined by the policy. Sick leave can be carried forward from year to year to a maximum of 60 days and can be used as defined in the policy.

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.

NOTE 1 - (Continued)

Subsequent Events

Management has evaluated subsequent events through September 16, 2024, 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 Transdev United States (formerly 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, 2027.

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, 2024 were \$1,446,759, all of which was insured.

NOTE 3 - RECEIVABLES

Receivables consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Federal		
Operating assistance - Section 5311	\$ 848,589	\$ 404,168
Operating assistance - Section 5310	2,503	-
Total Federal	<u>851,092</u>	<u>404,168</u>
Massachusetts		
Capital assistance	<u>611,558</u>	<u>1,795,972</u>
Member communities		
Operating assistance for current year expenditures	584,250	570,000
Operating assistance for prior year expenditures	286,514	227,642
Total member communities	<u>870,764</u>	<u>797,642</u>
Other receivables	<u>12,568</u>	<u>16,845</u>
Total receivables	<u>\$ 2,345,982</u>	<u>\$ 3,014,627</u>

NOTE 4 - WORKING CAPITAL HELD BY FIXED ROUTE OPERATOR

Franklin Transit Management, Inc. (FTM), subsidiary of Transdev United States (formerly First Transit, Inc.), 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, 2024 and 2023 was \$100,000, and is reported as working capital in the Authority's financial statements.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2024				Ending Balance
	Beginning Balance	Increases	Decreases	Reclassification	
Capital assets, not being depreciated					
Land	\$ 527,170	\$ -	\$ -	\$ -	\$ 527,170
Construction in process - maintenance facility	15,438,853	366,540	(19,504)	(15,785,889)	-
Total capital assets, not being depreciated	<u>15,966,023</u>	<u>366,540</u>	<u>(19,504)</u>	<u>(15,785,889)</u>	<u>527,170</u>
Capital assets, being depreciated					
Revenue vehicles	6,150,870	745,307	(22,093)	-	6,874,084
Support vehicles	259,932	-	-	-	259,932
Computer software and equipment	2,388,365	371,048	(625,628)	-	2,133,785
ITC Center	15,724,034	-	-	-	15,724,034
Maintenance and operations facility	-	-	-	15,785,889	15,785,889
Leasehold improvements	5,029	-	(5,029)	-	-
Total capital assets, being depreciated	<u>24,528,230</u>	<u>1,116,355</u>	<u>(652,750)</u>	<u>15,785,889</u>	<u>40,777,724</u>
Less accumulated depreciation					
Revenue vehicles	3,128,584	810,468	(22,093)	-	3,916,959
Support vehicles	259,931	-	-	-	259,931
Computer software and equipment	1,906,187	133,343	(625,628)	-	1,413,902
ITC Center	4,765,631	454,173	-	-	5,219,804
Maintenance and operations facility	-	404,766	-	-	404,766
Leasehold improvements	5,029	-	(5,029)	-	-
Total accumulated depreciation	<u>10,065,362</u>	<u>1,802,750</u>	<u>(652,750)</u>	<u>-</u>	<u>11,215,362</u>
Total capital assets, being depreciated, net	<u>14,462,868</u>	<u>(686,395)</u>	<u>-</u>	<u>15,785,889</u>	<u>29,562,362</u>
Capital assets, net	<u>\$ 30,428,891</u>	<u>\$ (319,855)</u>	<u>\$ (19,504)</u>	<u>\$ -</u>	<u>\$ 30,089,532</u>

NOTE 5 - (Continued)

	2023				Ending Balance
	Beginning Balance	Increases	Decreases	Reclassification	
Capital assets, not being depreciated					
Land	\$ 527,170	\$ -	\$ -	\$ -	\$ 527,170
Construction in process - maintenance facility	7,454,818	7,984,035	-	-	15,438,853
Total capital assets, not being depreciated	<u>7,981,988</u>	<u>7,984,035</u>	<u>-</u>	<u>-</u>	<u>15,966,023</u>
Capital assets, being depreciated					
Revenue vehicles	6,134,977	1,369,726	(1,353,833)	-	6,150,870
Support vehicles	259,932	-	-	-	259,932
Computer software and equipment	2,295,378	92,987	-	-	2,388,365
ITC Center	15,677,494	46,540	-	-	15,724,034
Leasehold improvements	5,029	-	-	-	5,029
Total capital assets, being depreciated	<u>24,372,810</u>	<u>1,509,253</u>	<u>(1,353,833)</u>	<u>-</u>	<u>24,528,230</u>
Less accumulated depreciation					
Revenue vehicles	3,644,993	837,424	(1,353,833)	-	3,128,584
Support vehicles	259,931	-	-	-	259,931
Computer software and equipment	1,803,893	102,294	-	-	1,906,187
ITC Center	4,296,212	469,419	-	-	4,765,631
Leasehold improvements	5,029	-	-	-	5,029
Total accumulated depreciation	<u>10,010,058</u>	<u>1,409,137</u>	<u>(1,353,833)</u>	<u>-</u>	<u>10,065,362</u>
Total capital assets, being depreciated, net	<u>14,362,752</u>	<u>100,116</u>	<u>-</u>	<u>-</u>	<u>14,462,868</u>
Capital assets, net	<u>\$ 22,344,740</u>	<u>\$ 8,084,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,428,891</u>

NOTE 6 - NOTES PAYABLE

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 payable consisted of the following for the year ended June 30:

	<u>2024</u>	<u>2023</u>
4.50% Revenue anticipation note, due August 2, 2024	\$ 1,100,000	\$ -
3.10% Revenue anticipation note, due August 4, 2023	<u>-</u>	<u>1,100,000</u>
Total	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

On August 2, 2024, the Authority issued a \$1,200,000 revenue anticipation note maturing on August 1, 2025 at a rate of 4.00%. The Authority repaid the \$1,100,000 note due August 2, 2024.

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

Net position consisted of the following at June 30:

	2024				
	Invested in capital assets, net of debt	Invested in Capital Funded Inventory	Restricted	Unrestricted	Total
Net income (loss)	\$ -	\$ -	\$ -	\$ 3,853	\$ 3,853
Reimbursable depreciation	(2,025)	-	-	2,025	-
Nonreimbursable depreciation	(1,800,725)	-	-	-	(1,800,725)
Other nonreimbursable expenses	-	(41,784)	-	-	(41,784)
Capital contributions	1,472,771	18,702	-	-	1,491,473
Other changes	10,124	-	-	(10,124)	-
Disposals	(19,504)	-	-	-	(19,504)
Increase in reserve for extraordinary expenses	-	-	9,864	(9,864)	-
Increase (decrease) in net position	(339,359)	(23,082)	9,864	(14,110)	(366,687)
Net position, beginning	30,428,891	31,714	104,136	1,250,489	31,815,230
Net position, ending	<u>\$ 30,089,532</u>	<u>\$ 8,632</u>	<u>\$ 114,000</u>	<u>\$ 1,236,379</u>	<u>\$ 31,448,543</u>

	2023				
	Invested in capital assets, net of debt	Invested in Capital Funded Inventory	Restricted	Unrestricted	Total
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	-	-	15,096	(15,096)	-
Increase (decrease) in net position	8,084,151	(8,670)	15,096	(39,304)	8,051,273
Net position, beginning	22,344,740	40,384	89,040	1,289,793	23,763,957
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 in accordance with MGL Chapter 161B Section 6(q). At June 30, 2024 and 2023, the Authority's restricted reserve balance was \$114,000 and \$104,136, respectively.

NOTE 8 - TRANSPORTATION CONTRACTS

- 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 as the Authority is re-evaluating reinstating that route in its current form. During the year ended June 30, 2024 the Authority contracted with Franklin Transit Management, Inc. (FTM), a wholly-owned subsidiary of Transdev United States (previously 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. 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. 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, 2024 are based on liabilities developed in an actuarial valuation performed as of January 1, 2024 for the Plan's measurement date of December 31, 2023.

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.

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.

NOTE 9 - (Continued)

Plan Membership

Plan membership consisted of the following at December 31:

	2023	2022
Active plan members	1,014	1,051
Inactive plan members or beneficiaries currently receiving benefits	699	693
Inactive plan members entitled to but not yet receiving benefits	858	713
Total	<u>2,571</u>	<u>2,457</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.

Actuarial Assumptions

The total pension liability in the December 31, 2023 and 2022 actuarial valuations were determined using the following assumptions, applied to all periods included in the measurement:

Inflation:	2.5% per year, for the year ended December 31, 2023 2.4% per year, for the year ended December 31, 2022
Salary increases:	Group 1: 6% - 4.00%, based on service Group 4: 7% - 4.50%, based on service
Investment rate of return:	7.15%, net of pension plan investment expense, including inflation, for the ended December 31, 2023 7.25%, net of pension plan investment expense, including inflation, for the ended December 31, 2022

NOTE 9 - (Continued)

Mortality rates for the 2023 actuarial valuation was based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2021. 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-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.

The long-term expected rate of return on pension plan investments for the 2023 and 2022 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	2023		2022	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
PRIT Core	40%	5%	40%	5%
Domestic Equity	32%	4%	32%	5%
International Equity	5%	5%	5%	6%
Real Estate	10%	4%	10%	3%
Fixed Income	13%	2%	13%	2%
Total	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.25% for the 2023 and 2022 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.

NOTE 9 - (Continued)

Changes in net pension liability

	Franklin Regional Retirement System			Franklin Regional Transit Authority		
	100%			1.11% for 2023		
	1.15% for 2022					
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at January 1, 2022	\$235,181,218	\$204,723,135	\$ 30,458,083	\$ 2,800,119	\$ 2,437,479	\$ 362,640
Net changes	<u>8,504,433</u>	<u>(28,865,590)</u>	<u>37,370,023</u>	<u>2,108</u>	<u>(415,232)</u>	<u>417,340</u>
Balance at December 31, 2022	243,685,651	175,857,545	67,828,106	2,802,227	2,022,247	779,980
Net changes	<u>10,580,689</u>	<u>16,450,496</u>	<u>(5,869,807)</u>	<u>15,108</u>	<u>108,574</u>	<u>(93,466)</u>
Balance at December 31, 2023	<u>\$254,266,340</u>	<u>\$192,308,041</u>	<u>\$ 61,958,299</u>	<u>\$ 2,817,335</u>	<u>\$ 2,130,821</u>	<u>\$ 686,514</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 7.15% and 7.25% for 2023 and 2022, 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:

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
Authority's proportionate share of the net pension liability as of December 31, 2023	\$ 996,728	\$ 686,514	\$ 423,832

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
Authority's proportionate share of the net pension liability as of December 31, 2022	\$ 1,090,816	\$ 779,980	\$ 516,941

Pension Liabilities, Expense and Deferred Inflows and Outflows of Resources

At June 30, 2024, the Authority reported a liability of \$686,514 for its proportionate share of the net pension liability (\$779,980 at June 30, 2023). 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, 2023 and 2022, the Authority's proportion was 1.11% and 1.15%, 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, 2024, the Authority recognized pension expense of \$102,489 (pension contribution of \$96,478 plus the increase in the net pension liability of \$6,011). For the year ended June 30, 2023, the Authority recognized pension expense of \$133,923 (pension contribution of \$94,475 plus the increase in the net pension liability of \$39,448). Contributions made subsequent to the measurement date of December 31, 2023 were \$48,729 (\$47,749 subsequent to December 31, 2022 measurement date).

NOTE 9 - (Continued)

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

	2024		2023	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 12,744	\$ 3,565	\$ 23,979	\$ 1,606
Net difference between projected and actual investment earnings on pension plan assets	269,352	177,355	372,720	208,429
Changes in assumptions	55,155	-	56,375	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	25,776	4,665	16,692
Contributions subsequent to the measurement date	48,729	-	47,749	-
Total	<u>\$ 385,980</u>	<u>\$ 206,696</u>	<u>\$ 505,488</u>	<u>\$ 226,727</u>

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

Year ended June 30:	2024	2023
2024	\$ -	\$ 80,316
2025	89,262	57,281
2026	32,544	48,948
2027	74,362	92,216
2028	(16,884)	-
Total deferred outflows of resources	<u>\$ 179,284</u>	<u>\$ 278,761</u>

Payable to Pension Plan

At June 30, 2024 and 2023, the Authority reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

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, 101 Munson Street, Suite 108, Greenfield, MA 01301.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2025 budget*

For the fiscal year 2025, the Authority has approved an operating budget of \$5,411,685, 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.

NOTE 10 - (Continued)

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 \$-0- and \$131,374 for the years ended June 30, 2024 and 2023, 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 \$135,656 and \$118,613 for the years ended June 30, 2024 and 2023, 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 2023	Funds Spent in Fiscal Year 2024	Remaining Award Amount
Federal CARES Act funding passed through the Massachusetts Department of Transportation				
Federal Section 5311	\$ 3,795,381	\$ 1,890,035	\$ 681,304	\$ 1,224,042

NOTE 13 - ECONOMIC DEPENDENCE

The Authority receives operating assistance from the federal government and Commonwealth of Massachusetts, as well as assessments charged to local member communities of the Authority.

Federal and state assistance totaled approximately 81% of the total fiscal year 2024 revenues (80% for fiscal year 2023).

Member community local assessments totaled approximately 12% of the total fiscal year 2024 revenues (12% for fiscal year).

The Federal and State government pay for approximately all of the Authority’s capital acquisitions each year.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

Current Year Implementation

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. The adoption of this statement had no material impact on the Authority's financial reporting, other than enhancing certain note disclosures.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, for implementation in fiscal year 2024. 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.

Future Year Implementation

The GASB issued Statement No. 101, *Compensated Absences*, for implementation in fiscal year 2025. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Authority is evaluating the effect of this statement on its financial reporting.

The GASB issued Statement No. 102, *Certain Risk Disclosures*, for implementation in fiscal year 2025. The objective of this statement is to identify potential risks in governmental environments and develop disclosure requirements associated with information about risks related to a government's vulnerabilities due to certain concentrations or constraints. As a result of this statement, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The Authority is evaluating the effect of this statement on its financial reporting.

FRANKLIN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

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

	Plan Year Ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Franklin Regional Retirement System net pension liability	\$ 61,958,299	\$ 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	1.11%	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	\$ 686,514	\$ 779,980	\$ 362,640	\$ 487,104	\$ 588,281	\$ 696,756	\$ 482,533	\$ 499,209	\$ 397,900	\$ 349,069
Authority's covered-employee payroll	\$ 396,740	\$ 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	173.04%	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	75.63%	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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Franklin Regional Retirement System contractually required contribution	\$ 8,618,759	\$ 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	95,498	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	(95,498)	(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	\$ 396,740	\$ 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	24.07%	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:

Discount rate changed from 7.25% to 7.15%.

Mortality tables were updated.

Inflation rate changed from 2.4% to 2.5%.

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,**

	2024	2023
Total operating expenses	\$ 4,752,152	\$ 4,672,229
Interest expense	44,841	31,123
Eliminate GASB adjustment to pension expense	(6,011)	(39,448)
Total eligible expenses	4,790,982	4,663,904
Revenues applied to eligible expenses:		
Demand response income	162,135	171,800
Other assistance	93,665	135,253
Interest income	28,839	18,692
Advertising income	19,265	44,853
Rental income	135,656	118,613
Other income	7,166	13,507
Total revenues applied to eligible expenses	446,726	502,718
Net operating expenses eligible under Section 5311	4,344,256	4,161,186
Less CARES Act funding received under Section 5311 for 100% of eligible operating expenses incurred	681,304	910,514
Remaining operating expenses eligible under Section 5311 subject 50% participation in eligible expenses	3,662,952	3,250,672
Federal participation in eligible expenses	x 50%	x 50%
Maximum Section 5311 operating assistance allowed	\$ 1,831,476	\$ 1,625,336
Section 5311 operating assistance sought (amount of maximum funding above or less)	\$ 758,589	\$ 1,461,726

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,

	2024	2023
Operating costs		
Administrative costs	\$ 916,227	\$ 1,049,027
Purchased services		
Fixed route service	1,756,792	1,786,135
Demand response service	2,079,133	1,837,067
Debt service	44,841	31,123
Eliminate GASB adjustment to pension expense	<u>(6,011)</u>	<u>(39,448)</u>
Total operating costs	<u>4,790,982</u>	<u>4,663,904</u>
Operating assistance and revenues		
Federal and other operating assistance	<u>1,533,558</u>	<u>2,507,493</u>
Revenues		
Local revenues		
Demand response income	162,135	171,800
Interest income	28,839	18,692
Advertising income	19,265	44,853
Rental income	135,656	118,613
Other income	<u>7,166</u>	<u>13,507</u>
Total local revenues	<u>353,061</u>	<u>367,465</u>
Total operating assistance and revenues	<u>1,886,619</u>	<u>2,874,958</u>
Net operating deficit	2,904,363	1,788,946
Increase in reserve for extraordinary expenses	<u>9,864</u>	<u>15,096</u>
Net cost of service	<u>2,914,227</u>	<u>1,804,042</u>
Net cost of service funding		
Local assessments	584,250	570,000
State contract assistance	<u>2,329,977</u>	<u>1,234,042</u>
Total funding	<u>2,914,227</u>	<u>1,804,042</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.



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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 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 (*Government Auditing Standards*), the financial statements of the business-type activities of Franklin Regional Transit Authority as of and for the year ended June 30, 2024, 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 16, 2024.

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 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 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 16, 2024