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

Financial Statements and Supplementary Information

June 30, 2026

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board
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 year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Franklin Regional Transit Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Franklin Regional Transit Authority, as of June 30, 2026, 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 *(Government Auditing Standards)*. 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 the 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 Franklin Regional Transit 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 21 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 the Franklin Regional Transit Authority's basic financial statements. The accompanying supplementary information on page 22 is presented for purposes of additional analysis and is 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Franklin Regional Transit Authority's June 30, 2025 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2026 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 21, 2026

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2026

As management (Administrator) of the Franklin Regional Transit Authority (the Authority), we offer readers of the Authority's financial statements this discussion and analysis of its financial activities for the fiscal year ended June 30, 2026. This discussion is intended to provide an objective and easily readable analysis of the Authority's financial position and results of operations based on currently known facts, decisions, and conditions, with emphasis on significant changes from the prior year. Questions concerning 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.

Overview of the Financial Statements

The Authority is a component unit of the Massachusetts Department of Transportation and conducts business-type activities through a single enterprise fund serving 42 member municipalities in western Massachusetts. Because the Authority conducts only business-type activities, its enterprise fund financial statements present its overall financial position, results of operations, and cash flows.

The Statement of Net Position presents the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the resulting net position at year-end. Net position is reported as net investment in capital assets, restricted net position, and unrestricted net position.

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the year. It distinguishes operating revenues and expenses, noncapital subsidies, and other nonoperating revenues and expenses. The Statement of Cash Flows reports cash receipts and payments by operating, noncapital financing, capital and related financing, and investing activities. The notes to the financial statements provide additional information that is essential to understanding the amounts reported in the financial statements.

Financial Summary

The following condensed financial information compares the Authority's financial position and results of operations for fiscal years 2026 and 2025. Prior year revenue and expense amounts have been reclassified, as applicable, to conform to the fiscal year 2026 presentation required by GASB Statement No. 103.

Condensed Statement of Net Position

	6/30/2026	6/30/2025	Change
Other assets	$ 3,795,486	$ 3,543,340	$ 252,146
Property and equipment, net	30,223,727	29,560,772	662,955
Total assets	34,019,213	33,104,112	915,101
Deferred outflows of resources	152,252	247,626	(95,374)
Other liabilities	1,006,687	588,746	417,941
Note payable	1,200,000	1,200,000	-
Net pension liability	449,482	603,829	(154,347)
Total liabilities	2,656,169	2,392,575	263,594
Deferred inflows of resources	174,301	154,581	19,720
Net investment in capital assets	30,223,727	29,560,772	662,955
Restricted net position	203,550	51,057	152,493
Unrestricted	913,718	1,192,753	(279,035)
Total net position	$ 31,340,995	$ 30,804,582	$ 536,413

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	6/30/2026	6/30/2025	Change
Operating revenues	$ 291,090	$ 298,227	$ (7,137)
Operating expenses	9,000,805	7,437,607	1,563,198
Operating income (loss)	(8,709,715)	(7,139,380)	(1,570,335)
Noncapital subsidies	6,057,104	4,985,857	1,071,247
Operating income (loss) and noncapital subsidies	(2,652,611)	(2,153,523)	(499,088)
Other nonoperating revenues (expenses)	3,189,024	1,509,562	1,679,462
Change in net position	536,413	(643,961)	1,180,374
Net position, beginning of period	30,804,582	31,448,543	(643,961)
Net position, end of period	$ 31,340,995	$ 30,804,582	$ 536,413

Detailed Analysis

Financial position. Total net position increased by $536,413, or 1.7%, during fiscal year 2026. The increase was driven primarily by $3.1 million of capital subsidies and contributions associated with the Authority's capital program, partially offset by depreciation expense of approximately $2.5 million and the operating shortfall remaining after noncapital subsidies. Net investment in capital assets increased by $662,955 as capital additions exceeded depreciation for the year. Restricted net position increased by $152,493, primarily due to the improvement in working capital held by the fixed-route operator, while unrestricted net position decreased by $279,035.

Current assets. Current assets increased by $252,146, or 7.1%. Receivables increased by $561,902, reflecting higher amounts due from governmental funding sources at year-end, primarily attributable to amounts due from Massachusetts for operating and capital assistance. Inventory increased by $127,875, and working capital held by the fixed-route operator improved by $149,572, changing from a deficit of $65,793 to a positive balance of $83,779. These increases were partially offset by a $598,903 decrease in cash and cash equivalents. The decline in cash reflects the timing of operating, capital, and subsidy-related cash flows during the year. Prepaid expenses increased by $11,700.

Property and equipment. Net property and equipment increased by $662,955, or 2.2%, because approximately $3.2 million of capital additions exceeded depreciation expense of approximately $2.5 million. Additions consisted primarily of $2.6 million of revenue vehicles, together with support vehicles, computer software and equipment, and improvements to the maintenance and operations facility. Capital assets with an original cost of $761,761 were removed from the capital asset records during the year, together with an equal amount of accumulated depreciation, resulting in no net book value at the time of disposal.

Accounts payable and other current liabilities. Current liabilities increased by $417,941, or 23.4%. Accounts payable increased by $195,918, reflecting higher amounts outstanding at year-end for capital asset additions that had been incurred by not yet paid as of June 30, 2026. Unearned revenue increased by $212,098, reflecting funding received before applicable revenue recognition requirements had been met. Compensated absences increased by $7,926 and accrued interest increased by $1,999. The revenue anticipation note outstanding at year-end remained unchanged at $1.2 million.

Pension liability. The Authority's proportionate share of the net pension liability decreased by $154,347, or 25.6%, from $603,829 to $449,482. The decrease reflects both a decline in the Plan's overall net pension liability and a reduction in the Authority's proportionate share from 1.07% to 1.03%. The Plan's fiduciary net position improved relative to its total pension liability during the measurement period. The Authority recognized pension expense of $62,410 during fiscal year 2026.

Deferred outflows and inflows of resources. Deferred outflows of resources decreased by $95,374, while deferred inflows of resources increased by $19,720. These changes resulted from pension-related differences between expected and actual experience, investment earnings, changes in assumptions and proportion, and contributions made subsequent to the pension measurement date. The most significant change was the reduction in deferred outflows associated with differences between projected and actual pension investment earnings.

Operating revenues. Operating revenues decreased by $7,137, or 2.4%, primarily because demand response income decreased by $20,252. Advertising income also decreased slightly. These decreases were partially offset by commuter-route income, higher rental income, and an increase in other operating income. The Authority continued to report no fixed-route fare revenue during fiscal year 2026.

Operating expenses. Operating expenses increased by $1,563,198, or 21.0%. Fixed-route service costs increased by $619,487, or 28.5%, and demand response service costs increased by $195,701, or 8.2%, primarily due to higher wage, fuel, and maintenance costs. The Authority also incurred $196,990 of commuter-route service costs during fiscal year 2026, reflecting the addition of commuter-route service during the year. Depreciation expense increased by $514,084 as additional capital assets, particularly revenue vehicles, were placed into service. Other administrative expenses increased by $33,103, while salaries, payroll taxes, and fringe benefits increased by $3,833.

Noncapital subsidies. Noncapital subsidies increased by $1,071,247, or 21.5%, primarily due to higher Massachusetts and federal operating assistance. Massachusetts operating assistance increased by $840,436 and federal operating assistance increased by $210,716. Massachusetts fare-free assistance increased by $5,124, while member municipality assessments increased by $14,971, consistent with the 2.5% annual increase in local assessments. The increase in governmental operating assistance helped fund the Authority's higher operating costs during fiscal year 2026.

Other nonoperating revenues and expenses. Other nonoperating revenues, net, increased by $1,679,462, primarily because capital subsidies and contributions increased by $1,637,450 in connection with the Authority's increased capital activity during fiscal year 2026. Interest income increased by $6,736, the Authority recognized $33,903 of proceeds from the sale of capital assets, and interest expense decreased by $1,373. The increase in capital subsidies and contributions was the primary reason the Authority reported an increase in net position despite the larger operating loss.

Significant Capital Asset and Financing Activity

Capital asset activity. Property and equipment, net of accumulated depreciation, totaled $30,223,727 at June 30, 2026, an increase of $662,955 from the prior year. During fiscal year 2026, the Authority added $3,189,389 of capital assets, including approximately $2.6 million of revenue vehicles, $117,132 of support vehicles, $270,235 of computer software and equipment, and $248,997 of improvements to the maintenance and operations facility. These additions were partially offset by depreciation expense of $2,526,434. Capital assets with an original cost of $761,761 and an equal amount of accumulated depreciation were also removed from the capital asset records during the year. Of the current year capital activity, $1,184,268 consisted of assets purchased on behalf of the Authority by the Commonwealth and therefore did not require a cash outlay by the Authority. The Authority generally funds capital acquisitions through federal and state capital assistance.

Financing activity. The Authority issues revenue anticipation notes to provide short-term working capital because the timing of federal and state operating assistance and assessments from member municipalities does not coincide with the payment of related operating expenditures. At June 30, 2026, the Authority had a $1,200,000 revenue anticipation note outstanding, bearing interest at 4.00% and maturing on July 31, 2026. The outstanding principal was unchanged from the prior year. On July 30, 2026, the Authority issued a new $1,200,000 revenue anticipation note bearing interest at 3.10% and maturing on July 30, 2027, and repaid the note outstanding at fiscal year-end. The Authority reported no long-term capital debt at June 30, 2026.

Currently Known Facts, Decisions, or Conditions

The following currently known matters are expected to affect the Authority's future financial position or results of operations:

- The Authority continues to depend substantially on federal and state operating assistance and assessments from member municipalities to fund transit operations. Changes in the amount or timing of these funding sources could significantly affect future operating results and liquidity.

- Local assessments continue to be received approximately 1.5 years in arrears. The timing difference is expected to result in a continuing need for short-term revenue anticipation borrowing to finance operations until the assessments and other operating assistance are received.

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

STATEMENT OF NET POSITION

June 30,

	2026	Comparative 2025
Assets		
Current assets		
Cash and cash equivalents	$ 1,174,665	$ 1,773,568
Receivables	2,153,244	1,591,342
Inventory	251,695	123,820
Prepaid expenses	132,103	120,403
Working capital held by fixed route operator	83,779	(65,793)
Total current assets	3,795,486	3,543,340
Property and equipment, net	30,223,727	29,560,772
Total assets	34,019,213	33,104,112
Deferred outflows of resources		
Pension related items	152,252	247,626
Liabilities		
Current liabilities		
Accounts payable	348,896	152,978
Compensated absences	19,401	11,475
Due to Commonwealth of Massachusetts	109,504	109,504
Unearned revenue	480,886	268,788
Accrued interest	48,000	46,001
Note payable	1,200,000	1,200,000
Total current liabilities	2,206,687	1,788,746
Net pension liability	449,482	603,829
Total liabilities	2,656,169	2,392,575
Deferred inflows of resources		
Pension related items	174,301	154,581
Net position		
Net investment in capital assets	30,223,727	29,560,772
Restricted for:		
Reserve	119,771	116,850
Working capital held by fixed route operator	83,779	(65,793)
Unrestricted	913,718	1,192,753
Total net position	$ 31,340,995	$ 30,804,582

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 NET POSITION

For the Year Ended June 30,

	2026	Comparative 2025
Operating revenues		
Fixed route income	$ -	$ -
Demand response income	99,887	120,139
Commuter route income	1,174	-
Advertising income	18,898	19,563
Rental income	154,963	153,458
Other income	16,168	5,067
Total operating revenues	291,090	298,227
Operating expenses		
Fixed route service	2,789,376	2,169,889
Demand response service	2,581,977	2,386,276
Commuter route service	196,990	-
Salaries, taxes and fringe benefits	654,807	650,974
Other administrative expenses	251,221	218,118
Depreciation expense	2,526,434	2,012,350
Total operating expenses	9,000,805	7,437,607
Operating income (loss)	(8,709,715)	(7,139,380)
Noncapital subsidies		
Government assistance		
Federal	1,635,858	1,425,142
Massachusetts	3,565,659	2,725,223
Massachusetts fare free program	241,760	236,636
Member municipalities	613,827	598,856
Total noncapital subsidies	6,057,104	4,985,857
Operating income (loss) and noncapital subsidies	(2,652,611)	(2,153,523)
Other nonoperating revenues (expenses)		
Capital subsidies and contributions	3,140,991	1,503,541
Interest income	58,872	52,136
Proceeds from sale of assets	33,903	-
Interest expense	(44,742)	(46,115)
Total other nonoperating revenues (expenses)	3,189,024	1,509,562
Increase (decrease) in net position	536,413	(643,961)
Net position, beginning of period	30,804,582	31,448,543
Net position, end of period	$ 31,340,995	$ 30,804,582

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

For the Year Ended June 30,

	2026	Comparative 2025
Cash flows from operating activities:		
Receipts from operating revenues	$ 308,037	$ 289,334
Payments for goods and services	(6,553,762)	(4,763,441)
Payments to employees	(662,733)	(650,974)
Net cash provided (used) by operating activities	(6,908,458)	(5,125,081)
Cash flows from noncapital financing activities:		
Noncapital subsidies received	6,509,213	5,811,603
Proceeds from issuing revenue anticipation note	1,200,000	1,200,000
Repayment of revenue anticipation note	(1,200,000)	(1,100,000)
Interest paid, net of premiums	(42,743)	(47,964)
Net cash provided (used) by noncapital financing activities	6,466,470	5,863,639
Cash flows from capital and related financing activities:		
Capital subsidies and contributions received	1,581,272	617,605
Proceeds from sale of capital assets	33,903	-
Purchases of capital assets	(1,830,962)	(666,400)
Net cash provided (used) by capital and related financing activities	(215,787)	(48,795)
Cash flows from investing activities:		
Interest income	58,872	52,136
Net cash provided (used) by investing activities	58,872	52,136
Net increase (decrease) in cash and cash equivalents	(598,903)	741,899
Cash and cash equivalents, beginning of period	1,773,568	1,031,669
Cash and cash equivalents, end of period	$ 1,174,665	$ 1,773,568
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (8,709,715)	$ (7,139,380)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,526,434	2,012,350
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
Receivables	(638,560)	(491,762)
Inventory	(127,875)	13,670
Prepaid expenses	(11,700)	105,021
Working capital held by fixed route operator	(149,572)	98,220
Accounts payable	21,759	165,344
Compensated absences	7,926	-
Unearned revenue	212,098	107,902
Net pension liability and related deferred outflows and inflows of resources	(39,253)	3,554
Net cash provided (used) by operating activities	$ (6,908,458)	$ (5,125,081)
Noncash supplemental disclosures		
Capital assets purchased on behalf of the Authority by the Commonwealth	$ 1,184,268	$ 1,306,592

See notes to financial statements.

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. The Authority serves 42 member municipalities in Franklin, Hampshire, Hampden and Worcester counties and provides fixed-route and on-demand paratransit transportation services for older adults and individuals with disabilities. The Authority is generally responsible for developing, financing and contracting for the operation of mass transportation facilities within its service area. It is authorized to improve, modify, or extend existing facilities and to enter into agreements with governmental agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other parties for the construction, operation and use of mass transportation facilities and equipment.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board, which is made up of chief elected officials or their appointees from the member municipalities. The Authority's operations are funded primarily through federal and state operating assistance and assessments to member municipalities, with additional operating revenues from paratransit fares and other sources. In addition, the Authority receives federal and state capital assistance to finance acquisitions and improvements of facilities and equipment.

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.

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

The Authority is accounted for as an enterprise fund. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash 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.

NOTE 1 - (Continued)

Receivables
Receivables, including amounts due from federal and state grantor agencies, consist principally of revenues earned at year-end but not yet received. The need for an allowance for uncollectible amounts is evaluated based on historical collection experience and other relevant factors. At June 30, 2026 and 2025, management considered all receivables collectible; accordingly, no allowance for uncollectible accounts was recorded.

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. Capital assets acquired through capital subsidies or contributions, including assets purchased by governmental agencies on behalf of the Authority, are recorded at the amount paid by the contributing agency. The Authority defines capital assets as assets with an individual cost of $5,000 or more and an estimated useful life in excess of one year. Depreciation is calculated using the straight-line method over estimated useful lives ranging from three to forty years.

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.

A liability is recorded for vacation leave earned and unused at year-end, and for the portion of unused sick leave that is more likely than not to be used for future paid time off. The liabilities are measured using current pay rates and reflect amounts attributable to past service. At June 30, 2026 and 2025, the compensated absence liability was $19,401 and $11,475, respectively.

Net Position
Net position is classified as follows:

Net investment in capital assets
Consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding principal of debt attributable to the acquisition, construction, or improvement of those assets, and adjusted for related deferred outflows and inflows of resources, if applicable.

Restricted
Consists of net position subject to externally imposed restrictions or restrictions imposed by law through constitutional provisions or enabling legislation. The Authority maintains a restricted Reserve for Extraordinary Expenses pursuant to Massachusetts General Laws Chapter 161B, Section 6(q). At June 30, 2026 and 2025, the reserve totaled $119,771 and $116,850, respectively.

Unrestricted
Consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 1 - (Continued)

Deferred Outflows and Inflows of Resources
Deferred outflows of resources represent a consumption of net position, while deferred inflows of resources represent an acquisition of net assets, that applies to a future period(s) and will not be recognized as an outflow (expenditure) or inflow (revenue) of resources until that time. Deferred outflows and inflows of resources in the Statement of Net Position consist of pension related items.

Funding and Revenue Recognition
The Authority receives federal and state operating and capital assistance, assessments from member municipalities, and operating revenues, including fares, advertising, rental, and other miscellaneous revenues. Grant revenue is recognized when applicable eligibility requirements are met. Expenditure driven grants are recognized when qualifying expenditures are incurred. Amounts received before applicable eligibility requirements are met are reported as unearned revenue.

Operating and Nonoperating Revenues and Expenses
Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses consist of subsidies received or provided, revenues and expenses related to financing, resources from the disposal of capital assets, and investment income and expenses. Revenues or expenses that otherwise meet the definition of nonoperating are reported as operating if the transactions constitute the Authority's principal ongoing operations.

Noncapital Subsidies
Subsidies are resources received from another party for which the Authority does not provide goods or services to that party and that directly or indirectly keep the Authority's current or future fees and charges lower than they otherwise would be. Noncapital subsidies are subsidies for which the provider has not limited the resources to the acquisition of capital assets. Noncapital subsidies are presented separately from other nonoperating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

Federal Operating Revenue
The federal government provides assistance toward eligible operating costs under various Federal Transit Administration programs. Federal operating assistance is recognized when applicable eligibility requirements are met and is reported as a noncapital subsidy.

Massachusetts Operating Revenue
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). Massachusetts contract assistance is reported as a noncapital subsidy.

Member Municipality (Local Assessment) Operating Revenue
The Authority's net cost of service is funded in part through assessments to its member municipalities. Annual increases in local assessments are generally limited to 2.5 percent, plus the member municipalities’ share of new services. Local assessments are reported as noncapital subsidies.

Capital Subsidies and Contributions
The Authority's capital assets are generally acquired with federal, state, and local capital assistance. Capital assistance may be received directly by the Authority or through the purchase of capital assets by a governmental agency on behalf of the Authority. Capital assistance is recognized when applicable eligibility requirements are met and is reported as other nonoperating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 1 - (Continued)

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 21, 2026, the date which the financial statements were available to be issued.

Comparative Financial Information
The financial information for the year ended June 30, 2025 are presented for comparative purposes. Certain items in the comparative prior year totals may have been reclassified to conform to the current year presentation.

NOTE 2 - DEPOSITS

State statutes authorize the Authority to deposit funds with certain financial institutions and to invest available funds in various instruments, including certificates of deposit, U.S. government and agency obligations, repurchase agreements, qualifying money market funds, and participation units in investment pools authorized by the Commonwealth. Certain statutory limitations apply to the amount and maturity of such deposits and investments.

Custodial Credit Risk - Deposits
Custodial credit risk is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and, where applicable, the Depositors Insurance Fund (DIF). At June 30, 2026, the Authority's bank balances totaled $1,987,747 and were fully insured. Accordingly, the Authority had no deposits exposed to custodial credit risk

NOTE 3 - RECEIVABLES

Receivables consisted of the following at June 30:

	2026	Comparative 2025
Federal		
Operating assistance	$ 148,608	$ 482,869
Massachusetts		
Operating assistance	506,899	-
Capital assistance	566,353	190,902
Total Massachusetts	1,073,252	190,902
Member communities		
Operating assistance for current year expenditures	613,827	598,856
Operating assistance for prior year expenditures	313,043	297,254
Total member communities	926,870	896,110
Other receivables	4,514	21,461
Total receivables	$ 2,153,244	$ 1,591,342

NOTE 4 - NET POSITION OF FIXED ROUTE OPERATOR

Franklin Transit Management, Inc. (FTM), a wholly owned subsidiary of Transdev United States, serves as the fixed route and paratransit operator for the Authority. Certain assets and liabilities related to the operation of transit services were held by FTM on behalf of the Authority. These balances consist primarily of cash, inventory, prepaid expenses, accounts payable, accrued wages, and compensated absences. The Authority is responsible for funding the costs and obligations associated with these operations.

The net amount of assets less liabilities held by FTM on behalf of the Authority at June 30, 2026 and 2025 was $83,779 and $(65,793), respectively, and is reported as *working capital held by fixed route operator* in the Statement of Net Position.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2026			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 527,170	$ -	$ -	$ 527,170
Depreciable capital assets				
Revenue vehicles	8,335,831	2,553,025	(726,864)	10,161,992
Support vehicles	259,932	117,132	-	377,064
Computer software and equipment	2,133,785	270,235	(34,897)	2,369,123
ITC Center	15,724,034	-	-	15,724,034
Maintenance and operations facility	15,785,889	248,997	-	16,034,886
Total depreciable capital assets	42,239,471	3,189,389	(761,761)	44,667,099
Less accumulated depreciation for:				
Revenue vehicles	4,862,308	1,480,767	(726,864)	5,616,211
Support vehicles	259,931	-	-	259,931
Computer software and equipment	1,604,371	192,565	(34,897)	1,762,039
ITC Center	5,669,727	448,336	-	6,118,063
Maintenance and operations facility	809,532	404,766	-	1,214,298
Total accumulated depreciation	13,205,869	2,526,434	(761,761)	14,970,542
Depreciable capital assets, net	29,033,602	662,955	-	29,696,557
Capital assets, net	$ 29,560,772	$ 662,955	$ -	$ 30,223,727

NOTE 5 - (Continued)

	Comparative 2025			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 527,170	$ -	$ -	$ 527,170
Depreciable capital assets				
Revenue vehicles	6,874,084	1,483,590	(21,843)	8,335,831
Support vehicles	259,932	-	-	259,932
Computer software and equipment	2,133,785	-	-	2,133,785
ITC Center	15,724,034	-	-	15,724,034
Maintenance and operations facility	15,785,889	-	-	15,785,889
Total depreciable capital assets	40,777,724	1,483,590	(21,843)	42,239,471
Less accumulated depreciation for:				
Revenue vehicles	3,916,959	967,192	(21,843)	4,862,308
Support vehicles	259,931	-	-	259,931
Computer software and equipment	1,413,902	190,469	-	1,604,371
ITC Center	5,219,804	449,923	-	5,669,727
Maintenance and operations facility	404,766	404,766	-	809,532
Total accumulated depreciation	11,215,362	2,012,350	(21,843)	13,205,869
Depreciable capital assets, net	29,562,362	(528,760)	-	29,033,602
Capital assets, net	$ 30,089,532	$ (528,760)	$ -	$ 29,560,772

NOTE 6 - NOTE PAYABLE

The Authority's operations are funded in part through local assessments from member municipalities and federal and state operating assistance. The timing of certain operating assistance and local assessment receipts does not coincide with the related operating expenditures. Accordingly, the Authority issues revenue anticipation notes to provide working capital until such funding is received. Revenue anticipation notes payable consisted of the following at June 30:

	2026	Comparative 2025
4.00% Revenue anticipation note, due July 31, 2026	$ 1,200,000	$ -
4.00% Revenue anticipation note, due August 1, 2025	-	1,200,000
Total	$ 1,200,000	$ 1,200,000

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

Subsequent to June 30, 2026, on July 30, 2026, the Authority issued a $1,200,000 revenue anticipation note maturing on July 30, 2027 at a rate of 3.10%. The Authority repaid the $1,200,000 note due July 31, 2026.

NOTE 7 - TRANSIT OPERATIONS

The Authority contracts with third-party transportation providers to operate and maintain its fixed route and paratransit services. These arrangements include fixed route transportation, paratransit services required under the Americans with Disabilities Act, and other demand-response transportation services.

Payments under the transportation contracts are generally based on reimbursement of allowable operating costs and, where applicable, contractual management fees. The Authority is responsible for funding the costs associated with these transportation services.

The Authority also contracts with Council on Aging organizations and other transportation providers to provide transportation services to eligible older adults and individuals with disabilities within its service area.

NOTE 8 - 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, 2026 are based on liabilities developed in an actuarial valuation performed as of January 1, 2026 for the Plan's measurement date of December 31, 2025.

Results of the Plan for the fiscal year ended June 30, 2025 are based on liabilities developed in an actuarial valuation performed as of January 1, 2024 for the Plan's measurement date of December 31, 2024.

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:

	2025	Comparative 2024
Active plan members	1,016	1,064
Inactive plan members or beneficiaries currently receiving benefits	727	717
Inactive plan members entitled to but not yet receiving benefits	932	833
Total	2,675	2,614

NOTE 8 - (Continued)

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, 2025 and 2024 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, 2025 2.5% per year, for the year ended December 31, 2024
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 year ended December 31, 2025 7.15%, net of pension plan investment expense, including inflation, for the year ended December 31, 2024

Mortality rates for 2025 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 2024 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.

NOTE 8 - (Continued)

The long-term expected rate of return on pension plan investments for the 2025 and 2024 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:

	2025		Comparative 2024	
Asset Class	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%	5%
Real Estate	10%	4%	10%	4%
Fixed Income	13%	3%	13%	3%
Total	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the actuarial valuation. 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 100%			**Franklin Regional Transit Authority 1.03% for 2025 1.07% for 2024**		
	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, 2024	$254,266,340	$192,308,041	$ 61,958,299	$ 2,817,335	$ 2,130,821	$ 686,514
Net changes	8,636,719	14,022,241	(5,385,522)	(11,242)	71,443	(82,685)
Balance at December 31, 2024	262,903,059	206,330,282	56,572,777	2,806,093	2,202,264	603,829
Net changes	9,782,619	22,565,622	(12,783,003)	(7,100)	147,247	(154,347)
Balance at December 31, 2025	$272,685,678	$228,895,904	$ 43,789,774	$ 2,798,993	$ 2,349,511	$ 449,482

NOTE 9 - (Continued)

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

The following presents the net pension liability, calculated using the discount rate of 7.15% for 2025 and 2024, 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 (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Authority's proportionate share of the net pension liability as of December 31, 2025	$ 753,193	$ 449,482	$ 192,343

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Authority's proportionate share of the net pension liability as of December 31, 2024	$ 911,091	$ 603,829	$ 343,855

Pension Liabilities, Expense and Deferred Outflows and Inflows of Resources

At June 30, 2026, the Authority reported a liability of $449,482 for its proportionate share of the net pension liability ($603,829 at June 30, 2025). 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, 2025 and 2024, the Authority's proportion was 1.03% and 1.07%, respectively. Net pension liability, deferred outflows and 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, 2026 and 2025, the Authority recognized pension expense of $62,410 and $102,254, respectively. Contributions made subsequent to the measurement date of December 31, 2025 and 2024, were $51,692 and $49,971, respectively.

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

	2026		Comparative 2025	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 8,790	$ 1,158	$ 2,296	$ 2,319
Net difference between projected and actual investment earnings on pension plan assets	83,174	141,828	172,976	122,163
Changes in assumptions	8,596	-	22,383	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	31,315	-	30,099
Contributions subsequent to the measurement date	51,692	-	49,971	-
Total	$ 152,252	$ 174,301	$ 247,626	$ 154,581

NOTE 8 - (Continued)

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

Year ended June 30:		
2027	$	83,988
2028		(51,837)
2029		(31,780)
2030		(22,420)
Total deferred outflows of resources	$	(22,049)

Payable to Pension Plan
At June 30, 2026 and 2025, 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 9 - OPERATING LEASE

The Authority, as owner and lessor, entered into an agreement to lease office and shared common space at the Franklin Regional Transit Center to the Franklin Regional Council of Governments (FRCOG). The lease term is 30 years, commencing July 1, 2012, with two additional 10-year extension options. Base rent is $1 per year. FRCOG is also responsible for its share of operating and electricity costs, as defined in the lease agreement. Rental income under the agreement was $154,963 and $153,458 for the years ended June 30, 2026 and 2025, respectively. Certain members of the Authority's governing board also serve on the governing board of FRCOG.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Federal and State funding
Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal and state governments. Any costs determined to be unallowable under the terms of the applicable grants may be subject to repayment. As of the date the financial statements were available to be issued, management is not aware of any material amounts that are expected to be disallowed.

Risk management
The Authority is exposed to various risks of loss related to torts, theft of or damage to assets, errors and omissions, natural disasters, and workers' compensation claims. The Authority maintains commercial insurance coverage for these risks.

NOTE 11 - ECONOMIC DEPENDENCE

The Authority is economically dependent on operating and capital assistance from the federal government and the Commonwealth of Massachusetts, as well as assessments from its member municipalities.

Federal and state operating and capital assistance represented approximately 90% and 86% of total revenues for the years ended June 30, 2026 and 2025, respectively. Local assessments from member municipalities represented approximately 6% and 9% of total revenues for these same periods.

Substantially all of the Authority's capital acquisitions are funded through federal and state capital assistance.

NOTE 12 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

Current Year Implementation
In fiscal year 2026, the Authority implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. The Statement establishes revised requirements for management's discussion and analysis and the presentation and classification of operating and nonoperating revenues and expenses of proprietary funds, including separate presentation of noncapital subsidies. Implementation resulted in changes to the presentation and classification of certain revenues in the Statement of Revenues, Expenses, and Changes in Net Position but did not affect total net position or the change in net position. Prior year amounts have been reclassified, as applicable, to conform to the current year presentation.

In fiscal year 2026, the Authority implemented GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The Statement requires separate disclosure of certain types of capital assets and establishes additional disclosure requirements for capital assets held for sale. Implementation did not have a material effect on the Authority's financial position or results of operations

Future Year Implementation
GASB Statement No. 105, *Subsequent Events*, is effective for fiscal years beginning after June 15, 2026 and will be implemented by the Authority in fiscal year 2027. The Statement establishes accounting and financial reporting requirements for subsequent events and is intended to improve consistency in their application. The Authority is currently evaluating the impact 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, 2026

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

	Plan Year Ended December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Franklin Regional Retirement System net pension liability	$ 43,789,774	$ 56,572,777	$ 61,958,299	$ 67,828,106	$ 30,458,083	$ 40,571,564	$ 48,878,620	$ 61,337,732	$ 45,720,415	$ 52,538,226
Authority's proportion of the net pension liability	1.03%	1.07%	1.11%	1.15%	1.19%	1.20%	1.20%	1.14%	1.06%	0.95%
Authority's proportionate share of the net pension liability	$ 449,482	$ 603,829	$ 686,514	$ 779,980	$ 362,640	$ 487,104	$ 588,281	$ 696,756	$ 482,533	$ 499,209
Authority's covered-employee payroll	$ 398,376	$ 395,254	$ 396,740	$ 397,926	$ 398,267	$ 386,714	$ 372,671	$ 347,069	$ 342,037	$ 401,188
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.83%	152.77%	173.04%	196.01%	91.05%	125.96%	157.86%	200.75%	141.08%	124.43%
Plan fiduciary net position as a percentage of the total pension liability	83.94%	78.48%	75.63%	72.17%	87.05%	81.05%	76.27%	68.98%	75.89%	70.75%

Schedule of Authority Pension Contributions

	Plan Year Ended December 31,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Franklin Regional Retirement System contractually required contribution	$ 9,736,625	$ 9,130,848	$ 8,618,759	$ 8,126,717	$ 7,684,976	$ 7,268,256	$ 6,871,971	$ 6,506,893	$ 6,166,761	$ 5,875,820
Authority's contractually required contribution	99,942	97,458	95,498	93,452	91,499	87,263	82,708	73,914	65,084	55,831
Authority's contributions in relation to the contractually required contribution	(99,942)	(97,458)	(95,498)	(93,452)	(91,499)	(87,263)	(82,708)	(73,914)	(65,084)	(55,831)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 398,376	$ 395,254	$ 396,740	$ 397,926	$ 398,267	$ 386,714	$ 372,671	$ 347,069	$ 342,037	$ 401,188
Contributions as a percentage of covered-employee payroll	25.09%	24.66%	24.07%	23.48%	22.97%	22.57%	22.19%	21.30%	19.03%	13.92%

Notes to the Required Supplementary Information

Changes of benefit terms: There were no changes in benefit terms.

Changes of assumptions: None.

See independent auditors' report.

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

STATEMENT OF NET COST OF SERVICE

SUPPLEMENTARY INFORMATION

For the Year Ended June 30,

	2026	Comparative 2025
Costs		
Fixed route service	$ 2,789,376	$ 2,169,889
Demand response service	2,581,977	2,386,276
Commuter route service	196,990	-
Administrative costs	906,028	869,092
Depreciation expense	2,526,434	2,012,350
Interest expense	44,742	46,115
Pension adjustment	39,253	(3,554)
Non-reimbursable depreciation	(2,491,101)	(2,010,325)
Other non-reimbursable expenses	(155,651)	(136,473)
Total eligible costs	6,438,048	5,333,370
Federal and other operating subsidies	2,173,707	1,531,719
Local revenues		
Demand response income	99,887	120,139
Commuter route income	1,174	-
Advertising income	18,898	19,563
Rental income	154,963	153,458
Other income	50,071	5,067
Interest income	58,872	52,136
Total local revenues	383,865	350,363
Total operating subsidies and local revenues	2,557,572	1,882,082
Net operating deficit	3,880,476	3,451,288
Increase in reserve for extraordinary expenses	2,921	2,850
Net cost of service	$ 3,883,397	$ 3,454,138
Net cost of service funding		
Member municipalities	$ 613,827	$ 598,856
Massachusetts contract assistance	3,027,810	2,618,646
Massachusetts fare free program	241,760	236,636
Total funding	$ 3,883,397	$ 3,454,138

Non-Reimbursable Costs

In determining total eligible costs, the Authority excludes depreciation associated with property and equipment acquired with capital grant funding and accounting adjustments related to the net pension liability and other non-reimbursable costs.

See independent auditors' report.

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
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 the Franklin Regional Transit Authority as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Franklin Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Franklin Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 21, 2026