

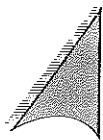
FRANKLIN REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2010

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Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
FRANKLIN REGIONAL TRANSIT AUTHORITY
 474 Main Street
 Greenfield, MA 01301-3366

We have audited the accompanying financial statements of the business-type activities of Franklin Regional Transit Authority, a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2010 and 2009, which comprise the Franklin Regional Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin Regional Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Regional Transit Authority, as of June 30, 2010 and 2009, and the changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2010 on our consideration of the Franklin Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 and budgetary comparisons on pages 6 and 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information starting on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Adelson Moynihan Kowalczyk PC

ADELSON MOYNIHAN KOWALCZYK PC

August 26, 2010



FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

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

Management's Discussion and Analysis of the Authority's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2010. Management's Discussion and Analysis should be read in conjunction with the financial statements.

Financial Highlights

- The Authority's total assets increased \$4,154,672 (68%) from fiscal year 2009 primarily due to the purchase of 7 new service vehicles, an office vehicle, shop equipment, and the start of construction of the new intermodal transit center under State and Federal capital purchases programs as well as American Recovery and Reinvestment Act (ARRA/Stimulus) funding.
- The Authority's liabilities increased \$1,735,091 (58%) from fiscal year 2009 primarily due to accounts payable (awaiting ARRA payments) relating to the transit center.
- The Authority's net assets increased \$2,419,581 (78%) from fiscal year 2009 due to its increase in investment in capital assets, net of accumulated depreciation and an increase in accounts receivable pertaining to ARRA funds.
- Operating revenues increased \$256,285 (9%) from fiscal year 2009.
- Operating expenses increased \$363,473 (8%) from fiscal year 2009.
- The Authority's operations are funded annually through a required computation of the net cost of service. Except for the establishment of a restricted reserve, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is not sufficient to cover expenses.

Overview of the Financial Statements

The Authority is a component unit of Massachusetts formed for the purpose of carrying out business type activities in 40 Western Massachusetts communities. The Authority's financial statements consist of three main statements: a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. Notes and supplementary information that disclose information about the nature of the Authority's business, accounting policies and additional information about specific statement amounts follow these statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

The Authority's net assets consist almost exclusively of its net investment in capital assets (e.g. land, construction in progress, 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 net assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt. Net assets also consist of a reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Un-funded deficits, if any, are reported as unrestricted net assets.

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

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

Summary of Net Assets

	<u>6/30/2010</u>	<u>6/30/2009</u>
Total current assets	\$ 4,787,952	\$ 3,040,779
Property and equipment, net	<u>5,503,548</u>	<u>3,096,049</u>
Total assets	10,291,500	6,136,828
 Total liabilities	 <u>4,750,453</u>	 <u>3,015,362</u>
 Investment in capital assets, net of related debt	 5,503,548	 3,096,049
Restricted for other purposes	37,499	25,417
Unrestricted	<u>---</u>	<u>---</u>
 Total net assets	 <u>\$ 5,541,047</u>	 <u>\$ 3,121,466</u>

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

**Summary of Statement of Revenues, Expenses
and Changes in Net Assets**

	<u>6/30/2010</u>	<u>6/30/2009</u>
Total operating revenues	\$ 3,032,093	\$ 2,775,808
Total operating expenses	<u>4,998,411</u>	<u>4,634,938</u>
Operating income (loss)	(1,966,318)	(1,859,130)
Total non-operating revenues (expenses)	<u>1,978,400</u>	<u>1,963,439</u>
Income (loss) before capital contributions and other items	12,082	104,309
Capital contributions	2,892,214	1,514,624
Nonreimbursable depreciation	<u>(484,715)</u>	<u>(445,428)</u>
Change in net assets	2,419,581	1,173,505
Net assets, beginning	<u>3,121,466</u>	<u>1,947,961</u>
Net assets, ending	<u>\$ 5,541,047</u>	<u>\$ 3,121,466</u>

Operating revenues increased \$256,285 (9%) from fiscal year 2009. The details are as follows:

- Fixed route income – increased by \$8,521 (6%) from fiscal year 2009.
- Demand response income – decreased by \$27,888 (9%) from fiscal year 2009. This decrease is due to the loss of the Community Enterprises contract.
- Brokerage service income – increased by \$275,652 (12%) from fiscal year 2009. This increase is due to increased ridership.

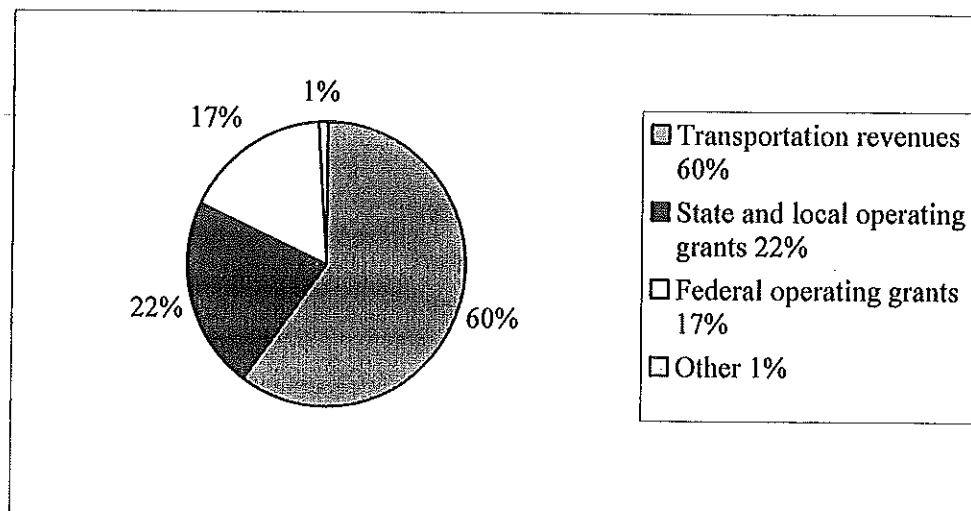
FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Operating expenses increased \$363,473 (8%) from fiscal year 2009. The details are as follows:

- Fixed Route service – increased \$69,540 (7%) from fiscal year 2009. This is attributable to increases in Operating Company wages and benefits fees.
- Demand response service – decreased \$21,529 (2%) from fiscal year 2009. This decrease reflects some savings in the costs of Demand Response services provided by the Operating Company.
- Brokerage service – increased \$294,183 (14%) from fiscal year 2009.
- Administrative salaries, taxes and fringe benefits – increased \$16,962 (6%) from fiscal year 2009 due to an additional full time position.
- Other administrative expenses – increased \$4,317 (2%) from fiscal year 2009.

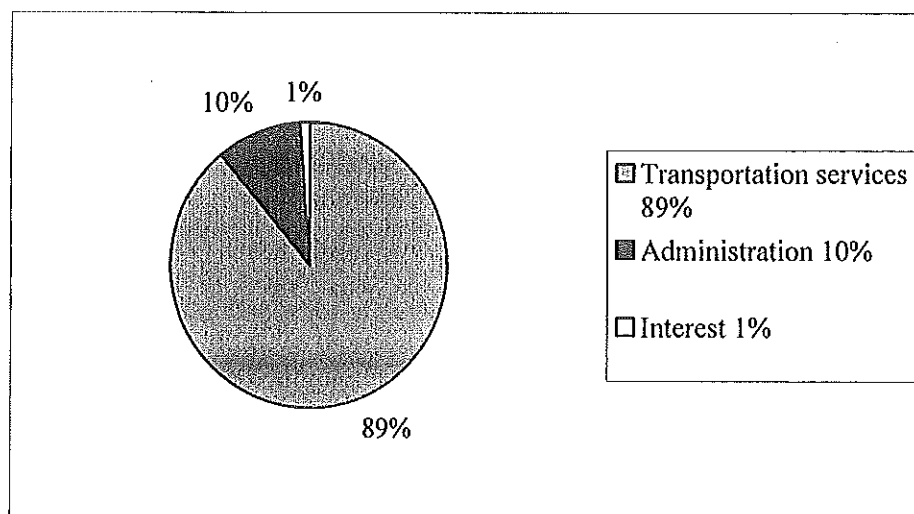
Total Operating and Non-operating
Revenues of \$5,064,054 by Source



FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

Total Operating and Non-operating
Expenses of \$5,051,972 by Source



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

The Authority's fiscal year 2010 budget included income of \$27,027 from a contract with Community Enterprises that was not renewed and \$99,355 in JARC funding of which only \$59,384 could be accessed due to contract dating issues. The result is an income shortfall (compared to budget) of \$22,759 for Demand Response. However, Fixed Route revenue exceeded the budget by \$19,763.

On both the income and the expense side, Brokerage services once again exceeded the budget numbers with increases of 14% for both DMR and Medicaid services.

Demand Response finished fiscal year 2010 under budget by \$6,794 but Operating Company D/R services were \$13,365 less than budgeted as we continue to push for efficiencies.

Fixed Route expenses came in below budget (\$36,025) as well, again citing efforts to bid routes properly and reduce overtime expenses.

State Operating Assistance is \$9,832 more than expected and although Federal 5311 funding is \$25,351 under budget, only the portion necessary to balance the budget is recorded with additional funds being carried over (based upon the full award) to fiscal year 2011.

Administrative salaries, taxes, and fringe benefits were under budget by \$10,230 as we operated for a time without one staff member as we sought a replacement after an unexpected employee

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

departure. The Authority once again recognized savings in other administrative expenses (\$9,652 under budget) and was \$11,439 under budget for RAN interest expenses with the continuance of very low rates with a sluggish economy.

Capital Asset and Debt Administration

Capital assets

The Authority's increase in capital assets during the year ended June 30, 2010 was \$2,892,214. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. In fiscal year 2010 the Authority received ARRA/Stimulus funding from the Federal government with no requirement of matching funds. The details on capital assets totaling \$5,503,548, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

The increase in investment in capital assets includes:

Service vehicles	\$ 1,514,232
Office vehicle	31,314
Office equipment and computers	63,720
Leasehold improvements	816
Construction in progress costs for the new intermodal center	<u>1,282,132</u>
Total	<u>\$ 2,892,214</u>

Revenue Anticipation Notes

At the end of fiscal year 2010, the Authority had a revenue anticipation note payable of \$3,100,000. This note provides cash flow until Commonwealth appropriations are received.

Subsequent to fiscal year end June 30, 2010, the Authority issued a \$3,100,000 operating anticipation note on July 30, 2010 maturing on July 29, 2011 at a rate of 1.14%. The Authority repaid the \$3,100,000 note due July 30, 2010.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. This operating assistance is funded a year in arrear by the State (the Authority's fiscal 2010 assistance will be included in the State's fiscal 2011 budget). The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded in arrears through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5% plus the member's share of any new service.

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

For the Year Ended June 30, 2010

Future service / funding needs

The Authority's JARC Grants continue into fiscal year 2011 with the G-Link contract effective through March 14, 2011 and the West Route funding in place through March 14, 2013. Additional funds will be applied for with the hope of having the State assume the support of the G-Link and any awarded funds being freed to enhance or add to existing services.

As discussed above, the Authority's efforts to create efficiencies through its operating company have produced results. This is an ongoing process and additional savings are not unattainable. The outcome of current union negotiations will determine the Authority's course necessary to continue operating with a balanced budget.

The Authority continues to lease the GMTA maintenance facility as the search for another location/property has been unsuccessful thus far. The State is advocating that the Authority purchase the GMTA property for use until a new facility can be constructed. The Deerfield Street site would then be sold with proceeds returned to the State given their funding of the purchase.

The bidding process is under way for the intermodal transit center and construction is anticipated in the fall with the desire to have the shell (walls and roof) in place so that work can continue on the interior throughout the winter months. The intension is to occupy the building by the fall of 2011.

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, 474 Main St., Greenfield, MA 01301.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET ASSETS

June 30,

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 737,460	\$ 135,607
Receivables	3,892,352	2,749,719
Inventory	78,126	75,861
Prepaid expenses	<u>80,014</u>	<u>79,592</u>
Total current assets	4,787,952	3,040,779
Property and equipment, net	<u>5,503,548</u>	<u>3,096,049</u>
TOTAL ASSETS	<u>10,291,500</u>	<u>6,136,828</u>
LIABILITIES		
Accounts payable	1,597,648	417,283
Accrued vacation	3,868	3,753
Due to Greenfield Montague Transportation Area	---	42,854
Accrued interest	48,937	51,472
Notes payable	<u>3,100,000</u>	<u>2,500,000</u>
TOTAL LIABILITIES	<u>4,750,453</u>	<u>3,015,362</u>
NET ASSETS		
Invested in capital assets, net of related debt	5,503,548	3,096,049
Restricted for other purposes	37,499	25,417
Unrestricted	<u>---</u>	<u>---</u>
TOTAL NET ASSETS	<u>\$ 5,541,047</u>	<u>\$ 3,121,466</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 123,120	\$ 142,883	\$ 19,763
Demand response income	287,627	264,868	(22,759)
Brokerage service income	2,300,900	2,624,342	323,442
Total operating revenues	<u>2,711,647</u>	<u>3,032,093</u>	<u>320,446</u>
Operating expenses			
Fixed route service	1,150,340	1,114,315	36,025
Demand response service	946,675	939,881	6,794
Brokerage service	2,136,400	2,468,867	(332,467)
Administrative salaries, taxes and fringe benefits	301,700	291,470	10,230
Other administrative expenses	193,530	183,878	9,652
Total operating expenses	<u>4,728,645</u>	<u>4,998,411</u>	<u>(269,766)</u>
Operating income (loss)	<u>(2,016,998)</u>	<u>(1,966,318)</u>	<u>50,680</u>
Non-operating revenues (expenses)			
Operating assistance			
Federal	830,533	805,182	(25,351)
Massachusetts	719,618	729,450	9,832
Member communities	412,392	412,813	421
Other federal	99,355	61,411	(37,944)
Interest income	2,500	4,170	1,670
Advertising income	10,000	6,000	(4,000)
Other income	7,600	12,935	5,335
Interest expense	(65,000)	(53,561)	11,439
Total non-operating revenues (expenses)	<u>2,016,998</u>	<u>1,978,400</u>	<u>(38,598)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	12,082	<u>\$ 12,082</u>
Capital contributions		2,892,214	
Nonreimbursable depreciation		<u>(484,715)</u>	
CHANGE IN NET ASSETS		2,419,581	
Net assets, beginning		<u>3,121,466</u>	
NET ASSETS, ENDING		<u>\$ 5,541,047</u>	

See notes to financial statements.

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

For the Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 112,125	\$ 134,362	\$ 22,237
Demand response income	261,590	292,756	31,166
Brokerage service income	<u>1,925,163</u>	<u>2,348,690</u>	<u>423,527</u>
Total operating revenues	<u>2,298,878</u>	<u>2,775,808</u>	<u>476,930</u>
Operating expenses			
Fixed route service	1,054,185	1,044,775	9,410
Demand response service	1,176,408	961,410	214,998
Brokerage service	1,740,819	2,174,684	(433,865)
Administrative salaries, taxes and fringe benefits	269,127	274,508	(5,381)
Other administrative expenses	<u>192,296</u>	<u>179,561</u>	<u>12,735</u>
Total operating expenses	<u>4,432,835</u>	<u>4,634,938</u>	<u>(202,103)</u>
Operating income (loss)	<u>(2,133,957)</u>	<u>(1,859,130)</u>	<u>274,827</u>
Non-operating revenues (expenses)			
Operating assistance			
Federal	821,418	739,047	(82,371)
Massachusetts	971,805	734,514	(237,291)
Massachusetts supplemental	---	29,946	29,946
Member communities	402,334	402,744	410
Other federal	---	99,355	99,355
Other State	---	696	696
Interest income	7,000	2,789	(4,211)
Advertising income	15,000	3,612	(11,388)
Other income	6,400	9,074	2,674
Interest expense	<u>(90,000)</u>	<u>(58,338)</u>	<u>31,662</u>
Total non-operating revenues (expenses)	<u>2,133,957</u>	<u>1,963,439</u>	<u>(170,518)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	104,309	<u>\$ 104,309</u>
Capital contributions		1,514,624	
Nonreimbursable depreciation		<u>(445,428)</u>	
CHANGE IN NET ASSETS		1,173,505	
Net assets, beginning		<u>1,947,961</u>	
NET ASSETS, ENDING		<u>\$ 3,121,466</u>	

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,108,955	\$ 2,554,205
Payments for goods and services	(4,772,447)	(4,599,051)
Payments to employees	<u>(291,585)</u>	<u>(274,931)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(1,955,077)</u>	<u>(2,319,777)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts of operating grants	2,008,856	2,006,302
Proceeds from issuing revenue anticipation notes	3,100,000	2,500,000
Repayment of revenue anticipation notes	(2,500,000)	(2,025,555)
Interest paid	<u>(56,096)</u>	<u>(80,396)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,552,760</u>	<u>2,400,351</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of capital grants	2,892,214	1,514,624
Payments for capital acquisitions	<u>(2,892,214)</u>	<u>(1,514,624)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>	<u>---</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on savings	<u>4,170</u>	<u>2,789</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,170</u>	<u>2,789</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	601,853	83,363
Cash and equivalents, beginning	<u>135,607</u>	<u>52,244</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 737,460</u>	<u>\$ 135,607</u>
Reconciliation of operating income to net cash provided by operating activities:		
OPERATING LOSS	\$ (1,966,318)	\$ (1,859,130)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Advertising income	6,000	3,612
Other income	12,935	9,074
Change in assets and liabilities:		
(Increase) decrease in receivables	(1,142,633)	(327,408)
(Increase) decrease in inventory	(2,265)	20,808
(Increase) decrease in prepaids	(422)	(67,850)
(Increase) decrease in due to Greenfield Montague Transportation Area	(42,854)	---
Increase (decrease) in accounts payable	1,180,365	(99,306)
Increase (decrease) in accrued vacation	<u>115</u>	<u>423</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,955,077)</u>	<u>\$ (2,319,777)</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY**NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

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

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

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

Basis of Accounting

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

The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989.

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

The Authority is a component unit of the Commonwealth of Massachusetts per statement No. 14 of the Governmental Accounting Standards Board. Massachusetts provides funding to the Authority.

Revenue Recognition

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

NOTE 1 - (Continued)**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 April 1, each year, for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.
2. By June 1, each year, the budget is legally enacted by a vote of the Advisory Board.

Funding

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

Capital Grants

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

Cash and Equivalents

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories are stated at the lower of acquisition cost or current purchase cost. 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 thirty year lives.

Net Assets Restricted for Other Purposes

A reserve has been established by the Authority for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2010, the Authority's reserve balance was \$37,499.

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 August 26, 2010, the date which the financial statements were available to be issued.

NOTE 1 - (Continued)**Concentration of Source of Supply of Labor**

The Authority signed a one year contract effective July 1, 2008 for its fixed route, paratransit and demand response transportation services with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc. This contract may be renewed for up to four additional one-year periods. Subsequent to fiscal year end, the Authority renewed its contract for one additional year expiring June 30, 2011.

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 June 30, 2010. Subsequent to fiscal year end, FTM has entered into negotiations with the Union for an agreement for July 1, 2010 through June 30, 2012.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$10,997 and \$6,763 for the years ended June 30, 2010 and 2009, respectively.

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk Related To Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC insurance. Insured bank deposits as of June 30, 2010, were \$502,410. Uninsured bank deposits as of June 30, 2010 were \$529,190.

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

	<u>2010</u>	<u>2009</u>
Federal		
Section 5309 capital assistance	\$ 1,362	\$ 12,224
Section 5310 capital assistance	320	---
Section 5311 operating assistance	713,696	739,047
Section 5311 capital assistance	1,338,939	---
Section 5316 Job Access Reverse Commute	<u>42,455</u>	<u>99,355</u>
Total - Federal	<u>2,096,772</u>	<u>850,626</u>
Massachusetts		
Operating assistance	731,982	734,514
Capital assistance	<u>54,352</u>	<u>110,786</u>
Total - Massachusetts	<u>786,334</u>	<u>845,300</u>
Member communities		
Operating assistance for current year expenditures	412,813	402,744
Operating assistance for prior year expenditures	<u>163,731</u>	<u>141,485</u>
Total - Member communities	<u>576,544</u>	<u>544,229</u>
Other receivables	<u>432,702</u>	<u>509,564</u>
Total receivables	<u>\$ 3,892,352</u>	<u>\$ 2,749,719</u>

The federal government under 49 USC Section 5311, provides for assistance of up to 50% of the Authority's operating deficit. In addition, under 49 USC Section 5309, 5310 and 5311, the federal government may provide 80% to 100% of the cost of capital equipment. During the year ended June 30, 2010 and 2009, the Authority was awarded American Recovery and Reinvestment funds through the Department of Transportation, of which 10% may provide for operating assistance with the remainder for capital assistance.

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

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

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

	2010			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated				
Land	\$ 230,800	\$ ---	\$ ---	\$ 230,800
Construction in process	1,316,359	1,282,132	---	2,598,491
Total capital assets, not being depreciated	<u>1,547,159</u>	<u>1,282,132</u>	<u>---</u>	<u>2,829,291</u>
Capital assets, being depreciated				
Revenue vehicles	2,781,068	1,514,232	637,822	3,657,478
Vehicle	18,850	31,314	---	50,164
Equipment	154,455	63,720	260	217,915
Computer software	126,475	---	---	126,475
Leasehold improvements	10,835	816	---	11,651
Total capital assets, being depreciated	<u>3,091,683</u>	<u>1,610,082</u>	<u>638,082</u>	<u>4,063,683</u>
Less accumulated depreciation				
Revenue vehicles	1,397,555	422,690	637,822	1,182,423
Vehicle	14,766	6,379	---	21,145
Equipment	44,057	26,533	260	70,330
Computer software	84,304	28,052	---	112,356
Leasehold improvements	2,111	1,061	---	3,172
Total accumulated depreciation	<u>1,542,793</u>	<u>484,715</u>	<u>638,082</u>	<u>1,389,426</u>
Total capital assets, being depreciated, net	<u>1,548,890</u>	<u>1,125,367</u>	<u>---</u>	<u>2,674,257</u>
Capital assets, net	<u>\$ 3,096,049</u>	<u>\$ 2,407,499</u>	<u>\$ ---</u>	<u>\$ 5,503,548</u>

NOTE 4 - (Continued)

	2009			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ ---	\$ 230,800	\$ ---	\$ 230,800
Construction in process	156,175	1,160,184	---	1,316,359
Total capital assets, not being depreciated	<u>156,175</u>	<u>1,390,984</u>	<u>---</u>	<u>1,547,159</u>
Capital assets, being depreciated				
Revenue vehicles	3,288,647	53,815	561,394	2,781,068
Vehicle	18,850	---	---	18,850
Equipment	85,536	68,919	---	154,455
Computer software	126,475	---	---	126,475
Leasehold improvements	9,929	906	---	10,835
Total capital assets, being depreciated	<u>3,529,437</u>	<u>123,640</u>	<u>561,394</u>	<u>3,091,683</u>
Less accumulated depreciation				
Revenue vehicles	1,564,748	394,201	561,394	1,397,555
Vehicle	10,996	3,770	---	14,766
Equipment	26,720	17,337	---	44,057
Computer software	55,085	29,219	---	84,304
Leasehold improvements	1,210	901	---	2,111
Total accumulated depreciation	<u>1,658,759</u>	<u>445,428</u>	<u>561,394</u>	<u>1,542,793</u>
Total capital assets, being depreciated, net	<u>1,870,678</u>	<u>(321,788)</u>	<u>---</u>	<u>1,548,890</u>
Capital assets, net	<u>\$ 2,026,853</u>	<u>\$ 1,069,196</u>	<u>\$ ---</u>	<u>\$ 3,096,049</u>

NOTE 5 - DUE TO GREENFIELD MONTAGUE TRANSPORTATION AREA

On August 1, 2006, the Authority assumed jurisdiction of the fixed route and demand response services previously provided by Greenfield Montague Transportation Area (GMTA). As part of this reorganization of transportation services, the Authority took possession of GMTA's vehicle parts and fuels inventory on hand at July 31, 2006 and paid GMTA's vacation liability through July 31, 2006. As a result, a net liability of \$42,854 was due to GMTA. On August 31, 2009, the Authority settled the liability for \$37,305; \$42,854 less \$5,549 in facility repairs paid by the Authority.

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

	<u>2010</u>	<u>2009</u>
1.72% Revenue anticipation note, due July 30, 2010	\$ 3,100,000	
2.25% Revenue anticipation note, due July 31, 2009		\$ 2,500,000
Total	<u>\$ 3,100,000</u>	<u>\$ 2,500,000</u>

The Authority issued a \$3,100,000 operating assistance anticipation note on July 30, 2010 maturing on July 29, 2011 at a rate of 1.14% and repaid the \$3,100,000 note due July 30, 2010.

Effective July 1, 2008 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 ASSETS CONSISTED OF THE FOLLOWING AT JUNE 30:

	2010			
	Invested in capital assets	Restricted	Unrestricted	Total
Net loss			\$ 12,082	\$ 12,082
Depreciation	\$ (484,715)			(484,715)
Capital contributions	2,892,214			2,892,214
Addition to reserve for extraordinary expenses		12,082	(12,082)	---
Increase in net assets	2,407,499	12,082	---	2,419,581
Net assets, beginning	3,096,049	25,417	---	3,121,466
Net assets, ending	<u>\$ 5,503,548</u>	<u>\$ 37,499</u>	<u>\$ ---</u>	<u>\$ 5,541,047</u>
	2009			
	Invested in capital assets	Restricted	Unrestricted	Total
Net loss			\$ 104,309	\$ 104,309
Depreciation	\$ (445,428)			(445,428)
Capital contributions	1,514,624			1,514,624
Addition to reserve for extraordinary expenses		11,788	(11,788)	---
Increase in net assets	1,069,196	11,788	92,521	1,173,505
Net assets, beginning	2,026,853	13,629	(92,521)	1,947,961
Net assets, ending	<u>\$ 3,096,049</u>	<u>\$ 25,417</u>	<u>\$ ---</u>	<u>\$ 3,121,466</u>

A reserve has been established by the Authority, restricted for the purpose of meeting the cost of extraordinary expenses of the Authority in accordance with MGL Chapter 161B Section 6(q). At June 30, 2010 and 2009 the Authority's reserved balance was \$37,499 and \$25,417, respectively.

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2010:

- A. The Authority provided nine fixed routes with the hub being in Greenfield going to Northampton, Orange/Athol, Shelburne/Charlemont, Gill, Amherst, and other locations within Greenfield and Montague. During the year ended June 30, 2010 the Authority contracted with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc., to provide this service, with direct reimbursement for expenses and a management fee paid. FTM operated forty-three of the Authority's fifty-nine vehicles providing regular maintenance and drivers.
- B. Under agreement to the Authority, fourteen agencies, including eight Councils on Aging (COA), three private vendors and three volunteer agencies working on behalf of the COA's, provided demand-response paratransit service to qualified elderly and disabled persons in their communities. Customers make fare payments to the COA's. The agencies submitted invoices to the Authority for payment less fares. Service was provided in the following towns.

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

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

NOTE 9 - PENSION PLANS

Plan Description

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

Benefits

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

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

Plan Contributions

The Authority's payroll for employees covered by the system for the year ended June 30, 2010 was approximately \$222,400. The Authority's contribution to the Retirement System for 2010 of \$50,795 was made in accordance with the funding policy described above and was funded as follows: The Authority contributed \$30,652 (13.8% of current covered payroll); employees contributed \$20,143 (9.1% of current covered payroll).

In addition, the Authority may provide supplemental funding under Chapter 559 of the Acts of 1977 to reduce the Authority's actuarial past service cost. As of June 30, 2010 the trust fund balance funded under Chapter 559 was zero. Under the accounting standards established by GASB 27, no pension liability was recorded for the Authority since its pension expenditure met the employer's contractually required contribution for the year.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 24,845	100%	\$ 0
2009	\$ 27,362	100%	\$ 0
2010	\$ 30,652	100%	\$ 0

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

NOTE 10 - ADMINISTRATIVE SALARIES, TAXES AND FRINGE BENEFITS CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	<u>2010</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries	\$ 230,000	\$ 222,437	\$ 7,563
Payroll taxes	4,325	4,117	208
Fringe benefits	<u>67,375</u>	<u>64,916</u>	<u>2,459</u>
Total	<u>\$ 301,700</u>	<u>\$ 291,470</u>	<u>\$ 10,230</u>

	<u>2009</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries	\$ 207,000	\$ 211,517	\$ (4,517)
Payroll taxes	5,182	4,001	1,181
Fringe benefits	<u>56,945</u>	<u>58,990</u>	<u>(2,045)</u>
Total	<u>\$ 269,127</u>	<u>\$ 274,508</u>	<u>\$ (5,381)</u>

NOTE 11 - OTHER ADMINISTRATIVE EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 49,100	\$ 45,337	\$ 3,763
Office supplies	6,000	3,218	2,782
Postage	2,500	3,054	(554)
Utilities	12,000	11,749	251
Rent	83,520	83,760	(240)
Travel	5,000	4,480	520
General insurance	7,000	4,906	2,094
Repairs and maintenance	9,300	7,692	1,608
Advertising	10,000	10,997	(997)
Dues and memberships	6,200	5,542	658
Miscellaneous	2,910	3,143	(233)
Total	\$ 193,530	\$ 183,878	\$ 9,652

	2009		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 46,000	\$ 45,563	\$ 437
Office supplies	4,315	6,180	(1,865)
Postage	2,600	2,562	38
Utilities	9,808	9,406	402
Rent	83,500	83,520	(20)
Travel	10,000	3,246	6,754
General insurance	4,392	4,519	(127)
Repairs and maintenance	7,682	7,662	20
Advertising	15,000	6,763	8,237
Dues and memberships	6,081	5,782	299
Miscellaneous	2,918	4,358	(1,440)
Total	\$ 192,296	\$ 179,561	\$ 12,735

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

For the fiscal year 2011, the Authority has approved an operating budget of \$5,247,196, 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.

The Authority participates in a number of Federal and State grant programs. Accordingly, the Authority's compliance with the applicable grant requirements will be established at some future date. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

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 13 - OPERATING LEASE

The Authority leases a maintenance and operations facility located at 382 Deerfield Street, Greenfield, Massachusetts. The initial term of the lease was for three years commencing on August 1, 2006 and expiring on August 1, 2009. The Authority has the option to extend this lease for an additional two years by providing written notice to the lessor within 90 days prior to the expiration of the initial lease term. On July 8, 2009, the Authority extended the lease agreement for an additional two years expiring on August 1, 2011. Total lease expense was \$75,000 for each of the years ended June 30, 2010 and 2009.

Approximate future lease commitments payable during the years ending June 30 are as follows:

2011	\$ 75,000
2012	<u>6,250</u>
Total	<u>\$ 81,250</u>

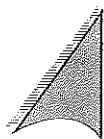
FRANKLIN REGIONAL TRANSIT AUTHORITY
Computation of Operating Assistance
from the Federal Transit Administration
Under 49 USC Section 5311
For Years Ended June 30,

	<u>2010</u>	<u>2009</u>
Total operating expenses	\$ 4,998,411	\$ 4,634,938
Interest expense	<u>53,561</u>	<u>58,338</u>
 Total eligible expenses	 5,051,972	 4,693,276
 Revenues applied to eligible expenses:		
Fixed route income	142,883	134,362
Demand response income	264,868	292,756
Brokerage service income	2,624,342	2,348,690
Other federal and state assistance	61,411	100,051
Interest income	4,170	2,789
Advertising income	6,000	3,612
Other income	<u>12,935</u>	<u>9,074</u>
Total revenues applied to eligible expenses	<u>3,116,609</u>	<u>2,891,334</u>
 Net operating expenses eligible under Section 5311	 1,935,363	 1,801,942
 Section 5311 participation in eligible expenses	 <u> x 50%</u>	 <u> x 50%</u>
 Maximum Section 5311 operating assistance	 <u>\$ 967,682</u>	 <u>\$ 900,971</u>
 Sections 5311 operating assistance sought (amount above or less)	 <u>\$ 805,182</u>	 <u>\$ 739,047</u>

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

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

	<u>2010</u>	<u>2009</u>
Operating costs		
Administrative costs	\$ 475,348	\$ 454,069
Purchased services		
Fixed route service	1,114,315	1,044,775
Demand response service	939,881	961,410
Brokerage service	2,468,867	2,174,684
Debt service	<u>53,561</u>	<u>58,338</u>
Total operating costs	<u>5,051,972</u>	<u>4,693,276</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>805,182</u>	<u>739,047</u>
Revenues		
Local revenues		
Fixed route income	142,883	134,362
Demand response income	264,868	292,756
Brokerage reimbursements	2,624,342	2,348,690
Advertising income	6,000	3,612
Other income	12,935	9,074
Interest income	<u>4,170</u>	<u>2,789</u>
Total local revenues	<u>3,055,198</u>	<u>2,791,283</u>
Other operating grants		
Federal	61,411	99,355
State	---	696
Total other operating grants	<u>61,411</u>	<u>100,051</u>
Total operating assistance and revenues	<u>3,921,791</u>	<u>3,630,381</u>
Net operating deficit	1,130,181	1,062,895
Extraordinary expenses	<u>12,082</u>	<u>11,788</u>
Net cost of service	<u>1,142,263</u>	<u>1,074,683</u>
Net cost of service funding		
Local assessments	412,813	402,744
State contract assistance	729,450	734,514
State contract assistance - supplemental	---	29,946
Total funding	<u>1,142,263</u>	<u>1,167,204</u>
Unreimbursed deficit (surplus)	---	(92,521)
Accumulated unreimbursed deficit, beginning	---	<u>92,521</u>
Accumulated unreimbursed deficit, ending	<u>\$ ---</u>	<u>\$ ---</u>



Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Associates

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 Karen M. Kowalczyk, CPA
 Carol Leibinger-Healey, CPA

**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
 474 Main Street
 Greenfield, MA 01301-3366

We have audited the financial statements of Franklin Regional Transit Authority, a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin Regional Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin Regional Transit Authority's internal control over financial reporting.

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 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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies as defined above.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of Franklin Regional Transit Authority in a separate letter dated August 26, 2010.

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

Adelson Moynihan Kowalczyk PC
ADELSON MOYNIHAN KOWALCZYK PC

August 26, 2010