

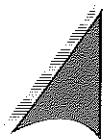
FRANKLIN REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2012

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Fund Net Position	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 21
Supplementary Information	
Computation of Operating Assistance From the Federal Transit Administration	22
Statement of Net Cost of Service	23
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	24 - 25



Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Richard E. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Karen M. Kowalczyk, CPA
 Carol Leibinger-Healey, CPA

Associates

Russell A. Faerber, CPA
 David M. Irwin, Jr., CPA
 Peter R. Ronan, CPA
 Jennifer J. Stark, CPA
 Sarah P. Voisin, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of Franklin Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2012 and 2011, 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 the Franklin Regional Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Franklin Regional Transit Authority as of June 30, 2012 and 2011, and the respective changes in financial position, and cash flows, thereof 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 28, 2012 on our consideration of the Franklin Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 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 opinions on the financial statements that comprise the Franklin Regional Transit Authority's 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. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 28, 2012

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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, 2012. Management's Discussion and Analysis should be read in conjunction with the financial statements.

Financial Highlights

- The Authority's total assets increased \$7,926,796 (53%) from fiscal year 2011 primarily due to the purchase of service vehicles and the finishing 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 \$325,148 (7%) from fiscal year 2011 primarily due to an increase in accounts payable relating to the transit center.
- The Authority's net position increased \$7,601,648 (73%) from fiscal year 2011 due to its increase in investment in capital assets, net of accumulated depreciation, mainly related to the construction of the new intermodal transit center and the purchase of new revenue vehicles.
- Operating revenues increased \$127,178 (4%) from fiscal year 2011.
- Operating expenses increased \$222,317 (4%) from fiscal year 2011.
- The Authority's operations are funded annually through a required computation of the net cost of service. Except for the establishment of a restricted reserve, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is not sufficient to cover expenses.

Overview of the Financial Statements

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

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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

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

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

Summary of Net Position

	<u>6/30/2012</u>	<u>6/30/2011</u>
Total current assets	\$ 4,958,768	\$ 4,625,078
Property and equipment, net	<u>17,922,859</u>	<u>10,329,753</u>
Total assets	22,881,627	14,954,831
Total liabilities	<u>4,812,031</u>	<u>4,486,883</u>
Investment in capital assets, net of related debt	17,922,859	10,329,753
Invested in capital funded inventory	84,160	88,312
Restricted reserve	62,577	49,883
Unrestricted	<u>---</u>	<u>---</u>
Total net position	<u>\$ 18,069,596</u>	<u>\$ 10,467,948</u>

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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

	<u>6/30/2012</u>	<u>6/30/2011</u>
Total operating revenues	\$ 3,468,014	\$ 3,340,836
Total operating expenses	<u>5,705,399</u>	<u>5,483,082</u>
Operating income (loss)	(2,237,385)	(2,142,246)
Total non-operating revenues (expenses)	<u>2,250,079</u>	<u>2,154,630</u>
Income (loss) before capital contributions and other items	12,694	12,384
Capital contributions	8,204,139	5,447,763
Nonreimbursable depreciation	(611,033)	(521,054)
Other nonreimbursable expenses	<u>(4,152)</u>	<u>(12,192)</u>
Change in net position	7,601,648	4,926,901
Net position, beginning	<u>10,467,948</u>	<u>5,541,047</u>
Net position, ending	<u>\$ 18,069,596</u>	<u>\$ 10,467,948</u>

Operating revenues increased \$127,178 (4%) from fiscal year 2011. The details are as follows:

- Fixed route income – increased by \$11,936 (8%) from fiscal year 2011 as a result of increases in ticket sales and farebox collections.
- Demand response income – decreased by \$75,437 (27%) from fiscal year 2011 due to the Authority's cessation of Elder Day Care transportation. This service was stopped because the reimbursement under the previous contract resulted in a loss relative to the expense and more funding from the program is not available.
- Brokerage service income – increased by \$190,679 (7%) from fiscal year 2011. This increase is due to increased ridership.

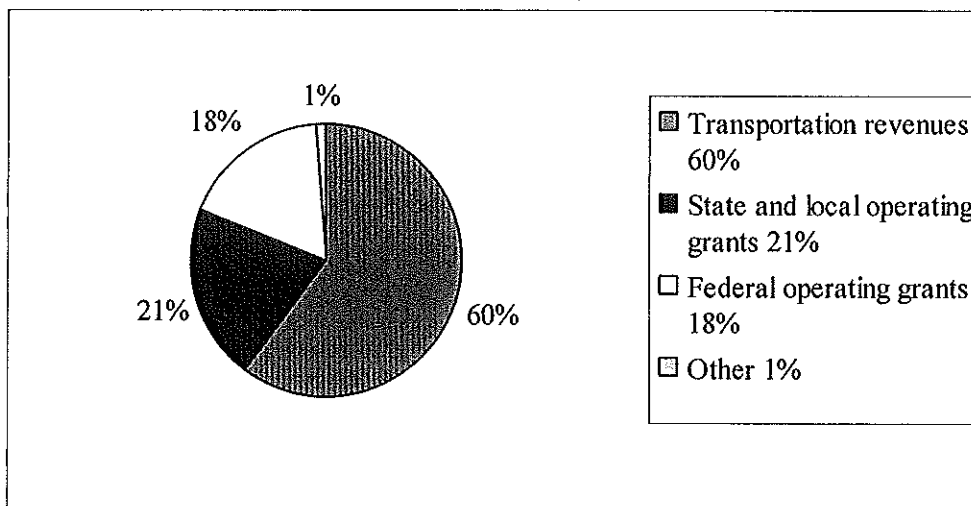
**FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2012

Operating expenses increased \$222,317 (4%) from fiscal year 2011. The details are as follows:

- Fixed Route service – decreased \$55,912 (4%) from fiscal year 2011. This is attributable to scheduling efficiencies resulting in lower driver fees and therefore a decrease in operating company benefits and taxes.
- Demand response service – increased \$34,690 (4%) from fiscal year 2011 primarily due to the recovery of ridership in Athol after a transition period in 2011 to a new contracted provider of services.
- Brokerage service – increased \$192,127 (7%) from fiscal year 2011. This increase is due to increased ridership.
- Administrative salaries, taxes and fringe benefits – decreased \$5,835 (2%) from fiscal year 2011. A staff position went unfilled during fiscal year 2012 but with the relocation to the new J.W. Olver Transit Center, maintenance staffing was added. The net result is this decrease from fiscal year 2011.
- Other administrative expenses – increased \$57,247 (29%) from fiscal year 2011. Of this total \$40,415 is for 2012 consulting services that were completely offset by income under RTA Capital. Additionally there is a building insurance increase of \$21,015 for fiscal year 2012 because of the new Transit Center.

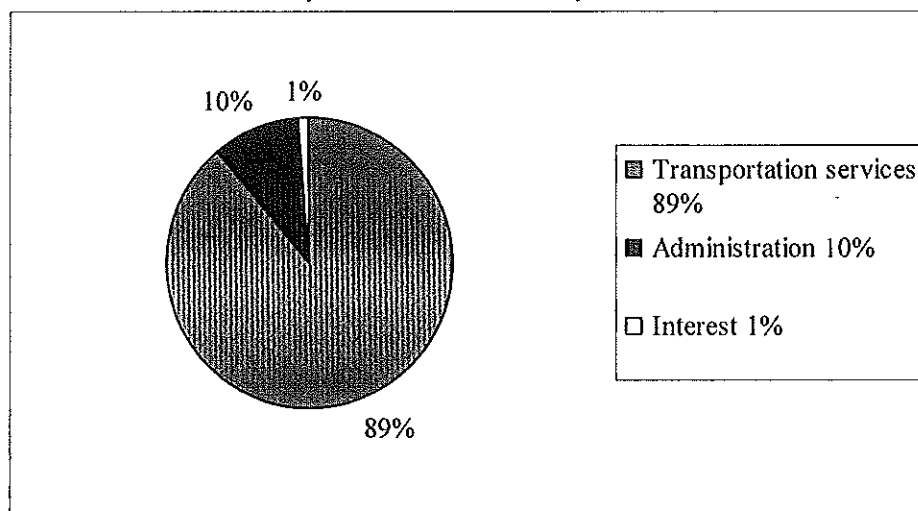
Total Operating and Non-operating
Revenues of \$5,750,856 by Source



FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Total Operating and Non-operating
Expenses of \$5,738,162 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:

- Demand response revenues were \$71,532 less than budgeted due to the end of the Elder Day Care contract which was not renewed since it presented a net loss to the Authority
- On both the income and the expense side, Brokerage services once again exceeded the budget numbers with an increase of about 7% for both DDS and Medicaid services.
- Demand Response expenses finished fiscal year 2012 under budget by \$66,318 with better scheduling of management company demand response services and elimination of the Elder Day Care transportation contributing to reducing costs.
- Fixed Route expenses came in over budget (\$74,200) with the contract negotiated between Franklin Transit Management and the Union producing less in savings than anticipated.
- Administrative salaries, taxes, and fringe benefits were under budget by \$37,597 as a staff position was vacant throughout fiscal year 2012. The Authority did not budget for the \$40,415 in consulting expenses but this expense was paid for by RTA Capital. Office expenses were once again under budget (\$5,845) and with the delay in relocation to the Transit Center building expenses were \$56,153 under budget.
- State Operating Assistance is \$18,018 less than planned and Federal 5311 funding is \$24,615 under budget. The Authority did exceed budget by \$13,578 for Local Operating Assistance. Total revenue was \$165,215 more than budgeted

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

Capital Asset and Debt Administration

Capital assets

The Authority's increase in capital assets during the year ended June 30, 2012 was \$8,204,139. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. In fiscal year 2012 the Authority received ARRA stimulus funding from the Federal government with no requirement of matching funds. The details on capital assets totaling \$17,922,859, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

The increase in investment in capital assets includes:

	<u>Amount</u>	<u>Source</u>
Service vehicles	\$ 1,128,197	Federal and State
Equipment	495,478	Federal and State
ITC Center	<u>6,580,464</u>	Federal ARRA
Total	<u>\$ 8,204,139</u>	

Revenue Anticipation Notes

At the end of fiscal year 2012, 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, 2012, the Authority issued a new \$3,100,000 operating anticipation note on July 27, 2012 maturing on August 13, 2013 at a rate of 0.57%. The Authority repaid the \$3,100,000 note due July 27, 2012.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. This operating assistance is funded a year in arrears by the State (the Authority's fiscal 2012 assistance will be included in the State's fiscal 2013 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, 2012

Future service / funding needs

The Authority has been awarded a JARC Grant for fiscal year 2013 specific to the G-Link but the Authority continues to advocate for the State to assume the support of the G-Link which would allow the JARC funds to be utilized for enhancing or adding to existing services including the possibility of offering weekend service. The Authority utilized a JARC Grant to operate Route 41 (West Route) with greater frequency, four runs per day versus two. This grant has been exhausted, but given the ridership statistics with the more frequent service, the four trips are being continued. Funding in the way of a grant or by State Contract Assistance is necessary to support this service.

Community Transit Services, Inc. operates within the Authority's area, specifically in the towns of Orange and Athol. They are a subsidiary of Community Transportation Association of America and until the current year (fiscal year 2013) their operations had been federally funded. The Federal funds are no longer available and State funds have been put in place to maintain operations until June 30, 2012. It is questionable that Community Transit Services, Inc. will receive additional State funds, and part or all of the services that they currently provide will become the responsibility of the Authority. Some of the transportation can be incorporated into existing programs but to provide all of the existing service in that area the Authority will need additional funding.

A new Automatic Vehicle Location and Real-time Passenger Information System software program has been purchased. This will provide advice to both management and consumers as to deviations in bus arrivals and departures from scheduled stops.

The lease of the maintenance facility is still under negotiation but the Authority continues to operate from the property as a "tenant at will" until a new rental contract is agreed upon. The expectation is that the Authority will build its own facility as soon as funding can be put into place.

With the completion of the intermodal transit center and contracts in place with commercial bus companies for their utilization of the facility, the Authority looks ahead to the return of passenger rail services to the area. The site of the John W. Olver Transit Center was chosen with a connection to this railroad transportation in mind. The Department of Transportation recently announced the beginning of work to bring tracks up to the standards necessary for carrying passengers and this signals the reality of adding rail services as a function of the Transit Center.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Franklin Regional Transit Authority, 12 Olive Street, Suite 1, Greenfield, MA 01301.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

June 30,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 863,810	\$ 846,998
Receivables	3,864,697	3,520,105
Inventory	165,261	183,706
Prepaid expenses	<u>65,000</u>	<u>74,269</u>
Total current assets	4,958,768	4,625,078
Property and equipment, net	<u>17,922,859</u>	<u>10,329,753</u>
TOTAL ASSETS	<u>22,881,627</u>	<u>14,954,831</u>
LIABILITIES		
Accounts payable	1,675,569	1,349,775
Accrued vacation	6,409	4,576
Accrued interest	30,053	32,532
Notes payable	<u>3,100,000</u>	<u>3,100,000</u>
TOTAL LIABILITIES	<u>4,812,031</u>	<u>4,486,883</u>
NET POSITION		
Invested in capital assets, net of related debt	17,922,859	10,329,753
Invested in capital funded inventory	84,160	88,312
Restricted reserve	62,577	49,883
Unrestricted	<u>---</u>	<u>---</u>
TOTAL NET POSITION	<u>\$ 18,069,596</u>	<u>\$ 10,467,948</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 145,850	\$ 160,408	\$ 14,558
Demand response income	276,600	205,068	(71,532)
Brokerage service income	<u>2,857,730</u>	<u>3,102,538</u>	<u>244,808</u>
Total operating revenues	<u>3,280,180</u>	<u>3,468,014</u>	<u>187,834</u>
Operating expenses			
Fixed route service	1,130,266	1,204,466	(74,200)
Demand response service	1,057,100	990,782	66,318
Brokerage service	2,706,000	2,924,659	(218,659)
Administrative salaries, taxes and fringe benefits	366,575	328,978	37,597
Other administrative expenses	<u>285,700</u>	<u>256,514</u>	<u>29,186</u>
Total operating expenses	<u>5,545,641</u>	<u>5,705,399</u>	<u>(159,758)</u>
Operating income (loss)	<u>(2,265,461)</u>	<u>(2,237,385)</u>	<u>28,076</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,057,000	1,032,385	(24,615)
Massachusetts	750,000	731,982	(18,018)
Member communities	433,711	435,937	2,226
Other federal	---	8,187	8,187
Other State	---	44,827	44,827
Other local	---	11,352	11,352
Interest income	3,000	3,317	317
Advertising income	5,000	2,325	(2,675)
Other income	56,750	12,530	(44,220)
Interest expense	<u>(40,000)</u>	<u>(32,763)</u>	<u>7,237</u>
Total non-operating revenues (expenses)	<u>2,265,461</u>	<u>2,250,079</u>	<u>(15,382)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>12,694</u>	<u>\$ 12,694</u>
Capital contributions		8,204,139	
Nonreimbursable depreciation		(611,033)	
Other nonreimbursable expenses		<u>(4,152)</u>	
CHANGE IN NET POSITION		7,601,648	
Net position, beginning		<u>10,467,948</u>	
NET POSITION, ENDING		<u>\$ 18,069,596</u>	

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 146,700	\$ 148,472	\$ 1,772
Demand response income	260,600	280,505	19,905
Brokerage service income	<u>2,635,730</u>	<u>2,911,859</u>	<u>276,129</u>
Total operating revenues	<u>3,043,030</u>	<u>3,340,836</u>	<u>297,806</u>
Operating expenses			
Fixed route service	1,194,090	1,260,378	(66,288)
Demand response service	962,576	956,092	6,484
Brokerage service	2,479,000	2,732,532	(253,532)
Administrative salaries, taxes and fringe benefits	356,710	334,813	21,897
Other administrative expenses	<u>194,820</u>	<u>199,267</u>	<u>(4,447)</u>
Total operating expenses	<u>5,187,196</u>	<u>5,483,082</u>	<u>(295,886)</u>
Operating income (loss)	<u>(2,144,166)</u>	<u>(2,142,246)</u>	<u>1,920</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	955,533	1,015,544	60,011
Massachusetts	809,500	731,982	(77,518)
Member communities	423,133	423,133	---
Other federal	---	3,932	3,932
Interest income	3,000	3,727	727
Advertising income	5,000	500	(4,500)
Other income	8,000	12,581	4,581
Interest expense	<u>(60,000)</u>	<u>(36,769)</u>	<u>23,231</u>
Total non-operating revenues (expenses)	<u>2,144,166</u>	<u>2,154,630</u>	<u>10,464</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	12,384	<u>\$ 12,384</u>
Capital contributions		5,447,763	
Nonreimbursable depreciation		(521,054)	
Other nonreimbursable expenses		<u>(12,192)</u>	
CHANGE IN NET POSITION		4,926,901	
Net position, beginning		<u>5,541,047</u>	
NET POSITION, ENDING		<u>\$ 10,467,948</u>	

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 3,532,155	\$ 3,217,966
Payments for goods and services	(5,417,277)	(4,898,051)
Payments to employees	<u>(330,811)</u>	<u>(335,521)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,215,933)</u>	<u>(2,015,606)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts of operating grants	2,264,670	2,174,591
Proceeds from issuing revenue anticipation notes	3,100,000	3,100,000
Repayment of revenue anticipation notes	(3,100,000)	(3,100,000)
Interest paid	<u>(35,242)</u>	<u>(53,174)</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,229,428</u>	<u>2,121,417</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of capital grants	8,204,139	5,447,763
Payments for capital acquisitions	<u>(8,204,139)</u>	<u>(5,447,763)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>	<u>---</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on savings	<u>3,317</u>	<u>3,727</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,317</u>	<u>3,727</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	16,812	109,538
Cash and equivalents, beginning	<u>846,998</u>	<u>737,460</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 863,810</u>	<u>\$ 846,998</u>
Reconciliation of operating income to net cash provided by operating activities:		
OPERATING LOSS	\$ (2,237,385)	\$ (2,142,246)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Advertising income	2,325	500
Other income	12,530	12,581
Other nonreimbursable expenses	(4,152)	(12,192)
Change in assets and liabilities:		
(Increase) decrease in receivables	(344,592)	372,247
(Increase) decrease in inventory	18,445	(5,076)
(Increase) decrease in prepaids	9,269	5,745
Increase (decrease) in accounts payable	325,794	(247,873)
Increase (decrease) in accrued vacation	<u>1,833</u>	<u>708</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,215,933)</u>	<u>\$ (2,015,606)</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Basis of Accounting

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Massachusetts Department of Transportation per statement No. 14 of the Governmental Accounting Standards Board. Massachusetts provides funding to the Authority.

Fund Net Position

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

Invested in capital assets, net of related debt

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

NOTE 1 - (Continued)*Restricted*

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a Restricted Reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2012, the Authority's reserve balance was \$62,577.

Unrestricted

All amounts not included in other spendable classifications.

Revenue Recognition

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

Budgetary Basis of Accounting

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

1. The Administrator presents to the Advisory Board a proposed budget by 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. Changes in the valuation allowance have not been material to the financial statements.

Inventories

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

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

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

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through August 28, 2012, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority signed a one year contract effective July 1, 2008 for its fixed route, and some of its paratransit and demand response transportation services with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc. This contract may be renewed for up to four additional one-year periods. The Authority renewed its contract for two additional years expiring June 30, 2013.

Approximately ninety percent (90%) of FTM's employees are members of the Local 274 United Electrical, Radio and Machine Workers of America Union. FTM's labor agreement with the Union is effective through September 30, 2012.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$5,375 and \$17,062 for the years ended June 30, 2012 and 2011, 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, 2012, were \$436,535. Uninsured bank deposits as of June 30, 2012 were \$427,275.

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

	<u>2012</u>	<u>2011</u>
Federal		
Section 5311 operating assistance	\$ 565,537	\$ 539,607
Section 5311 capital assistance	796,686	740,881
Section 5316 Job Access Reverse Commute	<u>109,369</u>	<u>57,561</u>
Total Federal	<u>1,471,592</u>	<u>1,338,049</u>
Massachusetts		
Operating assistance	731,982	731,982
Capital assistance	<u>542,720</u>	<u>294,434</u>
Total Massachusetts	<u>1,274,702</u>	<u>1,026,416</u>
Member communities		
Operating assistance for current year expenditures	435,937	423,133
Operating assistance for prior year expenditures	<u>191,095</u>	<u>176,995</u>
Total member communities	<u>627,032</u>	<u>600,128</u>
Trade receivables		
Accounts receivables	491,371	555,512
Allowance for uncollectable	<u>---</u>	<u>---</u>
Total trade receivables	<u>491,371</u>	<u>555,512</u>
Total receivables	<u>\$ 3,864,697</u>	<u>\$ 3,520,105</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, 2012 and 2011, the Authority was awarded American Recovery and Reinvestment funds through the Department of Transportation.

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

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

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

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

NOTE 4 - (Continued)

	2011			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated				
Land	\$ 230,800	\$ ---	\$ ---	\$ 230,800
Construction in process	2,598,491	5,135,540	---	7,734,031
Total capital assets, not being depreciated	<u>2,829,291</u>	<u>5,135,540</u>	<u>---</u>	<u>7,964,831</u>
Capital assets, being depreciated				
Revenue vehicles	3,556,974	37,498	---	3,594,472
Vehicle	50,164	---	---	50,164
Equipment	217,915	162,785	---	380,700
Computer software	126,475	111,940	---	238,415
Leasehold improvements	11,651	---	---	11,651
Total capital assets, being depreciated	<u>3,963,179</u>	<u>312,223</u>	<u>---</u>	<u>4,275,402</u>
Less accumulated depreciation				
Revenue vehicles	1,182,423	461,153	---	1,643,576
Vehicle	21,145	6,577	---	27,722
Equipment	70,330	34,592	---	104,922
Computer software	112,356	17,562	---	129,918
Leasehold improvements	3,172	1,170	---	4,342
Total accumulated depreciation	<u>1,389,426</u>	<u>521,054</u>	<u>---</u>	<u>1,910,480</u>
Total capital assets, being depreciated, net	<u>2,573,753</u>	<u>(208,831)</u>	<u>---</u>	<u>2,364,922</u>
Capital assets, net	<u>\$ 5,403,044</u>	<u>\$ 4,926,709</u>	<u>\$ ---</u>	<u>\$ 10,329,753</u>

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

The Authority is subsidized by the Commonwealth of Massachusetts and its Member communities for its annual "Net Cost of Service" as defined in the Massachusetts General Laws. The Authority is also subsidized by the Federal government. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

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

	<u>2012</u>	<u>2011</u>
1.05% Revenue anticipation note, due July 27, 2012	\$ 3,100,000	
1.14% Revenue anticipation note, due July 29, 2011		<u>\$ 3,100,000</u>
Total	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>

On July 27, 2012, the Authority issued a \$3,100,000 revenue anticipation note maturing on August 13, 2013 at a rate of .57%. The Authority repaid the \$3,100,000 note due July 27, 2012.

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

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

	2012				
	Invested in capital assets	Invested in Capital Funded Inventory	Restricted Reserve	Unrestricted	Total
Net income				\$ 12,694	\$ 12,694
Nonreimbursable depreciation	\$ (611,033)				(611,033)
Other nonreimbursable expenses		\$ (4,152)			(4,152)
Capital contributions	8,204,139				8,204,139
Addition to reserve for extraordinary expenses			12,694	(12,694)	---
Increase in net position	7,593,106	(4,152)	12,694	---	7,601,648
Net position, beginning	10,329,753	88,312	49,883	---	10,467,948
Net position, ending	<u>\$ 17,922,859</u>	<u>\$ 84,160</u>	<u>\$ 62,577</u>	<u>\$ ---</u>	<u>\$ 18,069,596</u>
	2011				
	Invested in capital assets	Invested in Capital Funded Inventory	Restricted Reserve	Unrestricted	Total
Net income				\$ 12,384	\$ 12,384
Nonreimbursable depreciation	\$ (521,054)				(521,054)
Other nonreimbursable expenses		\$ (12,192)			(12,192)
Capital contributions	5,447,763				5,447,763
Addition to reserve for extraordinary expenses			12,384	(12,384)	---
Increase in net position	4,926,709	(12,192)	12,384	---	4,926,901
Net position, beginning	5,403,044	100,504	37,499	---	5,541,047
Net position, ending	<u>\$ 10,329,753</u>	<u>\$ 88,312</u>	<u>\$ 49,883</u>	<u>\$ ---</u>	<u>\$ 10,467,948</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, 2012 and 2011 the Authority's reserved balance was \$62,577 and \$49,883, respectively.

NOTE 7 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2012:

- A. The Authority provided six fixed routes with the hub being in Greenfield going to Northampton, Orange/Athol, Shelburne/Charlemont, Gill, Amherst, and other locations within Greenfield and Montague. During the year ended June 30, 2012 the Authority contracted with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc., to provide this service, with direct reimbursement for expenses and a management fee paid. FTM operated thirty-six of the Authority's fifty-six vehicles providing regular maintenance and drivers.
- B. Under agreement to the Authority, fourteen agencies, including eight Councils on Aging (COA), three private vendors and three volunteer agencies working on behalf of the COA's, provided demand-response paratransit service to qualified elderly and disabled persons in their communities. Customers make fare payments to the COA's. The agencies submitted invoices to the Authority for payment less fares. Service was provided in the following towns.

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

NOTE 8 - PENSION PLANS

Plan Description

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

Benefits

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

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

Plan Contributions

The Authority's payroll for employees covered by the system for the year ended June 30, 2012 was approximately \$252,200. The Authority's contribution to the Retirement System for 2012 of \$58,953 was made in accordance with the funding policy described above and was funded as follows: The Authority contributed \$36,060 (15% of current covered payroll); employees contributed \$22,893 (9% 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, 2012 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
2010	\$ 30,652	100%	\$ 0
2011	\$ 33,572	100%	\$ 0
2012	\$ 36,060	100%	\$ 0

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

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

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 270,000	\$ 252,213	\$ 17,787
Payroll taxes	5,325	6,880	(1,555)
Fringe benefits	91,250	69,885	21,365
Total	\$ 366,575	\$ 328,978	\$ 37,597

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 275,000	\$ 252,550	\$ 22,450
Payroll taxes	5,175	4,663	512
Fringe benefits	76,535	77,600	(1,065)
Total	\$ 356,710	\$ 334,813	\$ 21,897

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

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
	Budget	Actual	(Unfavorable)
Professional and technical services	\$ 46,000	\$ 78,812	\$ (32,812)
Office supplies	7,000	17,766	(10,766)
Postage	3,000	2,636	364
Utilities	21,200	13,293	7,907
Rent	80,000	84,225	(4,225)
Travel	9,000	4,670	4,330
General insurance	7,000	5,670	1,330
Building insurance	15,000	21,015	(6,015)
Repairs and maintenance	67,300	14,322	52,978
Advertising	12,000	5,375	6,625
Dues and memberships	6,500	5,485	1,015
Miscellaneous	11,700	3,245	8,455
Total	\$ 285,700	\$ 256,514	\$ 29,186
	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 44,200	\$ 47,503	\$ (3,303)
Office supplies	4,400	11,494	(7,094)
Postage	3,500	2,979	521
Utilities	11,700	11,450	250
Rent	83,520	83,760	(240)
Travel	9,000	4,584	4,416
General insurance	8,600	7,531	1,069
Repairs and maintenance	8,700	6,868	1,832
Advertising	12,000	17,062	(5,062)
Dues and memberships	6,500	5,677	823
Miscellaneous	2,700	359	2,341
Total	\$ 194,820	\$ 199,267	\$ (4,447)

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2013 budget*

For the fiscal year 2013, the Authority has approved an operating budget of \$6,209,350, which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding

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.

Risk management

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

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

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

Operating Lease Revenue -- Franklin Regional Transit Center

The Authority, as owner and landlord, entered into an agreement to lease office and shared common space to Franklin Regional Council of Governments (FRCOG). The term of the lease is for thirty (30) fiscal years, starting July 1, 2012, with two ten year extensions. The base rent is one dollar (\$1.00) per fiscal year. The FRCOG is responsible for its share of operating and electricity costs as defined in the lease agreement.

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

	<u>2012</u>	<u>2011</u>
Total operating expenses	\$ 5,705,399	\$ 5,483,082
Interest expense	<u>32,763</u>	<u>36,769</u>
Total eligible expenses	5,738,162	5,519,851
Revenues applied to eligible expenses:		
Fixed route income	160,408	148,472
Demand response income	205,068	280,505
Brokerage service income	3,102,538	2,911,859
Other federal, state and local assistance	249,425	307,111
Interest income	3,317	3,727
Advertising income	2,325	500
Other income	<u>12,530</u>	<u>12,581</u>
Total revenues applied to eligible expenses	<u>3,735,611</u>	<u>3,664,755</u>
Net operating expenses eligible under Section 5311	2,002,551	1,855,096
Section 5311 participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum Section 5311 operating assistance	<u>\$ 1,001,276</u>	<u>\$ 927,548</u>
Sections 5311 operating assistance sought (amount above or less)	<u>\$ 847,326</u>	<u>\$ 712,365</u>

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

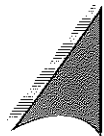
FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET COST OF SERVICE

For the Year Ended June 30,

	<u>2012</u>	<u>2011</u>
Operating costs		
Administrative costs	\$ 585,492	\$ 534,080
Purchased services		
Fixed route service	1,204,466	1,260,378
Demand response service	990,782	956,092
Brokerage service	2,924,659	2,732,532
Debt service	<u>32,763</u>	<u>36,769</u>
Total operating costs	<u>5,738,162</u>	<u>5,519,851</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>1,032,385</u>	<u>1,015,544</u>
Revenues		
Local revenues		
Fixed route income	160,408	148,472
Demand response income	205,068	280,505
Brokerage reimbursements	3,102,538	2,911,859
Advertising income	2,325	500
Other income	12,530	12,581
Interest income	<u>3,317</u>	<u>3,727</u>
Total local revenues	<u>3,486,186</u>	<u>3,357,644</u>
Other operating assistance	<u>64,366</u>	<u>3,932</u>
Total operating assistance and revenues	<u>4,582,937</u>	<u>4,377,120</u>
Net operating deficit	1,155,225	1,142,731
Increase in reserve for extraordinary expenses	<u>12,694</u>	<u>12,384</u>
Net cost of service	<u>1,167,919</u>	<u>1,155,115</u>
Net cost of service funding		
Local assessments	435,937	423,133
State contract assistance	<u>731,982</u>	<u>731,982</u>
Total funding	<u>1,167,919</u>	<u>1,155,115</u>
Unreimbursed deficit (surplus)	<u>\$ ---</u>	<u>\$ ---</u>

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



Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Richard E. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Karen M. Kowalczyk, CPA
 Carol Leibinger-Healey, CPA

Associates

Russell A. Faerber, CPA
 David M. Irwin, Jr., CPA
 Peter R. Ronan, CPA
 Jennifer J. Stark, CPA
 Sarah P. Voisin, 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
 12 Olive Street, Suite 1
 Greenfield, MA 01301

We have audited the financial statements of the business-type activities of Franklin Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2012, which comprise Franklin Regional Transit Authority's basic financial statements and have issued our report thereon dated August 28, 2012. 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

Management of Franklin Regional Transit Authority is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, 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 28, 2012.

This report is intended solely for the information and use of management, the Advisory Board, the finance committee, 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 28, 2012