

FRANKLIN REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Franklin Regional Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2015 and 2014, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, in 2015, the Franklin Regional Transit Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, budgetary comparison information on pages 6 and 7, and the schedules of the Authority's proportionate share of net pension liability and pension contributions on page 23, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Franklin Regional Transit Authority's basic financial statements. The supplementary information on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, on our consideration of 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* in considering Franklin Regional Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC

ADELSON & COMPANY PC
Pittsfield, MA

September 4, 2015

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

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, 2015. Management's Discussion and Analysis should be read in conjunction with the financial statements.

Change in Accounting Principle

During fiscal year 2015, the Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, requiring the Authority to record its proportionate share of the Franklin Regional Retirement System's net pension liability. As a result, the Authority's unrestricted net position as of June 30, 2014 was restated, resulting in a decrease of \$328,472. See note 8 and 9 of the financial statements for additional information on the Authority's pension plan and its share of the net pension liability.

Financial Highlights

- The Authority's total assets and deferred outflows of resources decreased \$(2,441,699) from fiscal year 2014 primarily due to a decrease in cash related to borrowing less on the Authority's revenue anticipation note.
- The Authority's liabilities decreased \$(1,991,330) from fiscal year 2014 primarily due to the decreased borrowing on the revenue anticipation note. The Authority reduced its borrowing from fiscal year 2014 to 2015 by \$2,200,000.
- The Authority's net position decreased \$(450,369) from fiscal year 2014 due a net decrease in investment in capital assets of \$(453,378) from depreciation of existing assets, additions of new assets, and disposals of old assets.
- Operating revenues increased \$453,636 (13%) from fiscal year 2014. The net increase is attributable to an increase in brokerage services (up \$422,513 from the previous year).
- Operating expenses increased \$604,994 (10%) from fiscal year 2014. As with operating revenues above, brokerage services made up a significant portion (\$407,227) of this increase. Fixed route expenses expanded by \$133,153 over fiscal year 2014.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

- 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.

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

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Summary of Net Position

	<u>6/30/2015</u>	<u>6/30/2014</u>
Total current assets	\$ 3,979,719	\$ 5,967,895
Property and equipment, net	16,215,625	16,669,003
Deferred outflows of resources	<u>26,387</u>	<u>26,532</u>
Total assets and deferred outflows	<u>20,221,731</u>	<u>22,663,430</u>
Total liabilities	<u>2,432,518</u>	<u>4,423,848</u>
Investment in capital assets, net of related debt	16,201,680	16,655,058
Invested in capital funded inventory	67,740	72,246
Restricted reserve	89,040	1,840,750
Unrestricted	<u>1,430,753</u>	<u>(328,472)</u>
Total net position	<u>\$ 17,789,213</u>	<u>\$ 18,239,582</u>

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

	<u>6/30/2015</u>	<u>6/30/2014</u>
Total operating revenues	\$ 4,018,487	\$ 3,564,851
Total operating expenses	<u>6,763,242</u>	<u>6,158,248</u>
Operating income (loss)	(2,744,755)	(2,593,397)
Total non-operating revenues (expenses)	<u>2,750,545</u>	<u>2,606,782</u>
Income (loss) before capital contributions and other items	5,790	13,385
Capital contributions	686,332	671,700
Nonreimbursable depreciation	(1,137,985)	(1,061,055)
Other nonreimbursable expenses	(4,506)	(9,681)
State forward funding	---	1,751,710
Capital assets transferred to another entity	---	(73,392)
Capital asset destroyed in fire	<u>---</u>	<u>(221,358)</u>
Change in net position	(450,369)	1,071,309
Net position, beginning	18,239,582	17,496,745
Prior period adjustment (see Note 9)	<u>---</u>	<u>(328,472)</u>
Net position, ending	<u>\$ 17,789,213</u>	<u>\$ 18,239,582</u>

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Operating revenues increased \$453,636 (13%) from fiscal year 2014. The details are as follows:

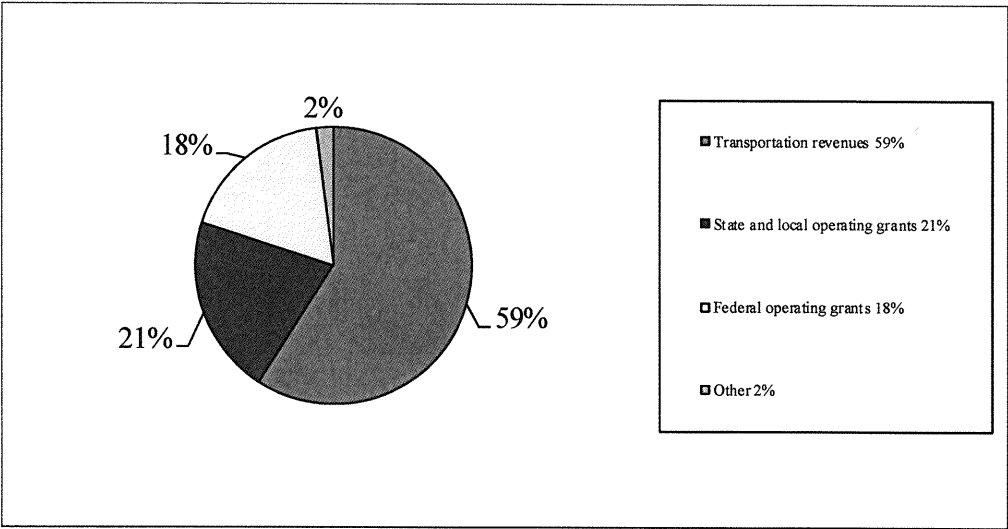
- Fixed route income – increased slightly by \$4,589 or 3% due to an increase in farebox collections.
- Demand response income – increased by \$26,534 from fiscal year 2014. A renegotiated contract with Franklin County Home Care Corporation resulted in \$9,198 in additional revenue and Council on Aging revenues for fiscal year 2015 exceeded fiscal 2014 by \$21,899, an increase of 79%. Farebox collections for demand response fell \$2,288 short of the 2014 total.
- Brokerage service income – increased by \$422,513 (13%) from fiscal year 2014. This increase is due to increased ridership.

Operating expenses increased \$604,994 (10%) from fiscal year 2014. The details are as follows:

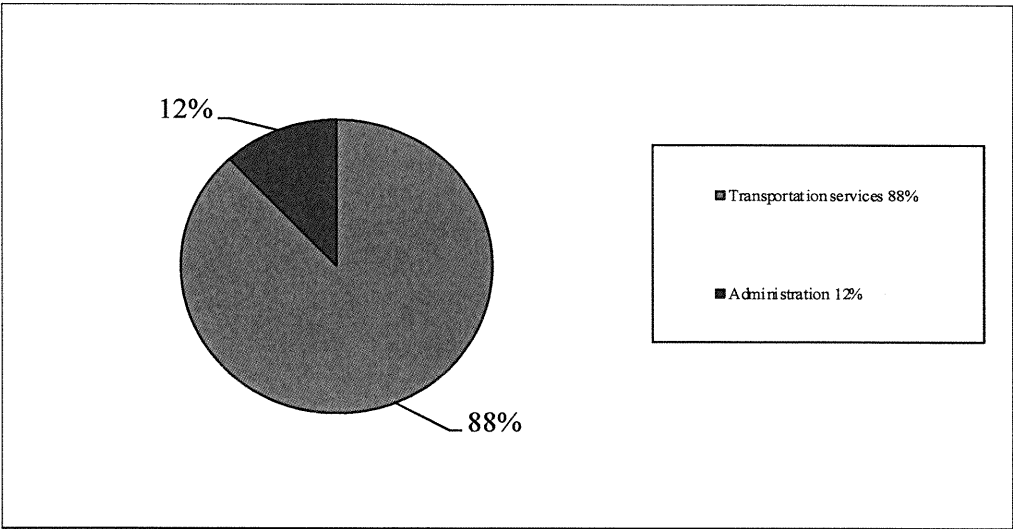
- Fixed Route service – increased \$133,153 (10%) from fiscal year 2014 due to additional mechanics being employed for vehicle maintenance by the operating company. In addition to the added maintenance staff, drivers and mechanics received pay increases through the union contract that they work under. Mechanic fees rose by \$65,924 and drivers fees grew by \$34,665. Vehicle insurance increased by \$8,601 or 6%.
- Demand response service – were relatively consistent year-to-year with a decrease in fiscal year 2015 of \$4,459 or 0.4%.
- Brokerage service – increased \$407,227 (13%) from fiscal year 2014. This increase is due to increased ridership.
- Administrative salaries, taxes and fringe benefits – increased \$37,756 (8%) from fiscal year 2014. The increase is due to an additional part time clerical staff person functioning as the ticket booth attendant and another part time custodial person added.
- Other administrative expenses – increased by \$31,317 from fiscal year 2014. Building expenses rose \$12,859 and \$12,710 was recorded under equipment expense for items too small to depreciate on the balance sheet. This part of the total equipment expense was recovered in terms of Federal 5309 income and State capital funds.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Total Operating and Non-operating
Revenues of \$6,776,548 by Source



Total Operating and Non-operating
Expenses of \$6,770,758 by Source



FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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

- Fixed route income was \$2,401 more than budget linked to an increase in farebox revenue.
- Demand response income was \$30,605 more than budget because of a new contract with Franklin County Home Care Corporation (adding \$9,198) and Council on Aging contributions in excess (\$24,583) of what was projected in the budget.
- Brokerage services income exceeded the fiscal 2015 budget by \$443,097 due to continued growth in ridership.
- Fixed route expenses were \$152,086 more than projected with higher vehicle insurance premiums (\$7,353) and an overage (\$113,259) for drivers and mechanics fees.
- Demand response expenses were \$58,993 under budget due to less than anticipated operating company demand response costs.
- Brokerage services expenses were \$489,454 over budget due to an increase in services provided.
- Administrative salaries, taxes, and fringe benefits were under budget by \$55,767 due to the timing of clerical and custodial staff additions.

Capital Asset and Debt Administration

Capital assets

The Authority’s purchase of capital assets during the year ended June 30, 2015 was \$686,332. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The details on capital assets totaling \$16,215,625, net of accumulated depreciation, are disclosed in Note 4 of the financial statements.

The purchase of capital assets includes:

	Amount
Revenue vehicles	\$ 243,912
Equipment	374,158
ITC Center improvements	68,262
Total	\$ 686,332

During fiscal year 2014, the Authority lost a fixed route bus due to fire. The Authority did receive an insurance loss settlement of \$254,954 which will be used to replace this bus in fiscal year 2016.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Revenue Anticipation Notes

At the end of fiscal year 2015, the Authority had a revenue anticipation note payable of \$1,200,000 as compared to a note payable of \$3,400,000 in fiscal year 2014. This note provides cash flow until Commonwealth appropriations are received.

During fiscal year 2014, the Massachusetts Department of Transportation awarded state operating assistance for the forward funding to the Authority in the amount of \$1,751,710 which was restricted toward repaying a portion of the revenue anticipation note shortly after the fiscal year end. As of June 30, 2015, these funds were applied to the note repayment.

Subsequent to fiscal year end June 30, 2015, the Authority issued a new \$1,000,000 operating anticipation note on August 12, 2015 maturing on August 12, 2016 at a rate of 0.70%. The Authority repaid the \$1,200,000 note due August 12, 2015.

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. Effective fiscal year 2014, the operating assistance received from the State is now funded in the same year it is appropriated by the State. 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.

Future service / funding needs

The Authority's JARC Grant has been extended into fiscal year 2016 with \$140,000 in additional funds. This still leaves a concern going forward regarding the availability of future funds to support Route 32 (G-Link).

A study to evaluate all existing fixed route service for the State RTAs began in fiscal year 2013 and was completed in fiscal year 2015. Changes to existing routes, adding routes, increasing frequencies, and extending services by operating later into the evening and adding weekend services are all being considered as a result of this study. Recommendations have been made public and the process of implementation is underway. The Authority is working with the State to see that funding for such changes will be available on a continuing basis.

FRANKLIN REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

The lease of the maintenance facility was completed in fiscal year 2013 and took effect in February of that year. Under the lease the Authority pays a monthly rent of \$4,574 and is responsible for all utilities. This is still a short term solution to the Authority's needs recognizing the inadequacy of this building in terms of condition, location, and size. The Authority has been awarded capital funds to pursue land purchase options with the capital funding necessary for construction/renovations to follow after a property acquisition.

Subsequent to the end of fiscal year 2015, the Authority purchased a parcel of land abutting the JWO Transit Center for the purpose of expanding the short term parking. An architect will be retained and a construction contract awarded in the very near future.

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>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 1,391,255	\$ 3,566,015
Receivables	2,335,721	2,154,663
Inventory	156,701	152,314
Prepaid expenses	<u>96,042</u>	<u>94,903</u>
Total current assets	3,979,719	5,967,895
Property and equipment, net	<u>16,215,625</u>	<u>16,669,003</u>
Total assets	20,195,344	22,636,898
Deferred outflows of resources		
Deferred outflows related to pensions	<u>26,387</u>	<u>26,532</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>20,221,731</u>	<u>22,663,430</u>
LIABILITIES		
Accounts payable	609,926	382,378
Accrued vacation	7,255	8,392
Accrued interest	11,314	23,120
Insurance loss settlement	254,954	254,954
Note payable	1,200,000	3,400,000
Net pension liability	<u>349,069</u>	<u>355,004</u>
TOTAL LIABILITIES	<u>2,432,518</u>	<u>4,423,848</u>
NET POSITION		
Invested in capital assets, net of related debt	16,201,680	16,655,058
Invested in capital funded inventory	67,740	72,246
Restricted	89,040	1,840,750
Unrestricted	<u>1,430,753</u>	<u>(328,472)</u>
TOTAL NET POSITION	<u>\$ 17,789,213</u>	<u>\$ 18,239,582</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, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 140,980	\$ 143,381	\$ 2,401
Demand response income	159,600	190,205	30,605
Brokerage service income	<u>3,241,804</u>	<u>3,684,901</u>	<u>443,097</u>
Total operating revenues	<u>3,542,384</u>	<u>4,018,487</u>	<u>476,103</u>
Operating expenses			
Fixed route service	1,321,348	1,473,434	(152,086)
Demand response service	1,050,742	991,749	58,993
Brokerage service	2,987,899	3,477,353	(489,454)
Salaries, taxes and fringe benefits	572,365	516,598	55,767
Other administrative expenses	<u>343,850</u>	<u>304,108</u>	<u>39,742</u>
Total operating expenses	<u>6,276,204</u>	<u>6,763,242</u>	<u>(487,038)</u>
Operating income (loss)	<u>(2,733,820)</u>	<u>(2,744,755)</u>	<u>(10,935)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,246,088	1,240,143	(5,945)
Massachusetts	951,976	964,019	12,043
Member communities	423,656	423,656	---
Interest income	3,500	6,244	2,744
Advertising income	2,500	8,295	5,795
Rental Income	99,800	88,786	(11,014)
Other income	16,300	26,918	10,618
Interest expense	<u>(10,000)</u>	<u>(7,516)</u>	<u>2,484</u>
Total non-operating revenues (expenses)	<u>2,733,820</u>	<u>2,750,545</u>	<u>16,725</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>5,790</u>	<u>\$ 5,790</u>
Capital contributions		686,332	
Nonreimbursable depreciation		(1,137,985)	
Other nonreimbursable expenses		<u>(4,506)</u>	
CHANGE IN NET POSITION		<u>(450,369)</u>	
Net position, beginning as restated (see Note 9)		<u>18,239,582</u>	
NET POSITION, ENDING		<u>\$ 17,789,213</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues			
Fixed route income	\$ 156,525	\$ 138,792	\$ (17,733)
Demand response income	162,650	163,671	1,021
Brokerage service income	<u>3,297,730</u>	<u>3,262,388</u>	<u>(35,342)</u>
Total operating revenues	<u>3,616,905</u>	<u>3,564,851</u>	<u>(52,054)</u>
Operating expenses			
Fixed route service	1,303,241	1,340,281	(37,040)
Demand response service	1,015,898	996,208	19,690
Brokerage service	3,113,500	3,070,126	43,374
Salaries, taxes and fringe benefits	463,050	478,842	(15,792)
Other administrative expenses	<u>259,500</u>	<u>272,791</u>	<u>(13,291)</u>
Total operating expenses	<u>6,155,189</u>	<u>6,158,248</u>	<u>(3,059)</u>
Operating income (loss)	<u>(2,538,284)</u>	<u>(2,593,397)</u>	<u>(55,113)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,203,331	1,267,645	64,314
Massachusetts	829,107	836,761	7,654
Member communities	415,246	413,323	(1,923)
Interest income	3,500	7,264	3,764
Advertising income	2,500	8,070	5,570
Rental Income	87,800	77,486	(10,314)
Other income	15,800	16,131	331
Interest expense	<u>(19,000)</u>	<u>(19,898)</u>	<u>(898)</u>
Total non-operating revenues (expenses)	<u>2,538,284</u>	<u>2,606,782</u>	<u>68,498</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>13,385</u>	<u>\$ 13,385</u>
Capital contributions		671,700	
Nonreimbursable depreciation		(1,061,055)	
Other nonreimbursable expenses		(9,681)	
State forward funding		1,751,710	
Capital assets transferred to another entity		(73,392)	
Capital asset destroyed in fire		<u>(221,358)</u>	
CHANGE IN NET POSITION		1,071,309	
Net position, beginning		17,496,745	
Prior period adjustment (see Note 9)		<u>(328,472)</u>	
NET POSITION, ENDING AS RESTATED		<u>\$ 18,239,582</u>	

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,045,112	\$ 3,654,705
Payments for goods and services	(6,119,151)	(5,661,943)
Payments to employees	(515,461)	(480,997)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,589,500)</u>	<u>(2,488,235)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts of operating grants	2,627,818	3,240,626
Receipt of forward funding grant	---	1,751,710
Proceeds from issuing revenue anticipation note	1,200,000	3,400,000
Repayment of revenue anticipation note	(3,400,000)	(3,100,000)
Interest paid	(19,322)	(13,141)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>408,496</u>	<u>5,279,195</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of capital grants	686,332	671,700
Proceeds from insurance settlement for capital asset destroyed in fire	---	254,954
Payments for capital acquisitions	(686,332)	(671,700)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>	<u>254,954</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on savings	6,244	7,264
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>6,244</u>	<u>7,264</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(2,174,760)	3,053,178
Cash and equivalents, beginning	3,566,015	512,837
CASH AND EQUIVALENTS, ENDING	<u>\$ 1,391,255</u>	<u>\$ 3,566,015</u>
Reconciliation of operating income to net cash provided by operating activities:		
OPERATING LOSS	\$ (2,744,755)	\$ (2,593,397)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Reimbursable depreciation	1,725	1,725
Advertising income	8,295	8,070
Rental income	88,786	77,486
Other income	26,918	16,131
Other nonreimbursable expenses	(4,506)	(9,681)
Change in assets and liabilities:		
(Increase) decrease in receivables	(181,058)	89,884
(Increase) decrease in inventory	(4,387)	(1,078)
(Increase) decrease in prepaids	(1,139)	(2,807)
Increase (decrease) in accounts payable	227,548	(76,723)
Increase (decrease) in accrued vacation	(1,137)	2,155
Increase (decrease) in net pension liability	(5,790)	---
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (2,589,500)</u>	<u>\$ (2,488,235)</u>

See notes to financial statements.

FRANKLIN REGIONAL TRANSIT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2015****NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Reporting Entity**

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

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

Basis of Accounting

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

The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Net Position

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

Invested in capital assets, net of related debt

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

NOTE 1 - (Continued)*Restricted*

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. At June 30, 2015, the Authority's restricted net position was \$89,040 (\$1,840,750 at June 30, 2014) and is comprised of the following amounts described below:

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, 2015 and 2014, the Authority's reserve balance was \$89,040.

During fiscal year 2014, the Massachusetts Department of Transportation awarded state operating assistance for forward funding to the Authority in the amount of \$1,751,710 which was restricted toward repaying a portion of the Authority's revenue anticipation note on August 12, 2014. As of June 30, 2015, this balance was zero as the funds were applied to the note repayment.

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

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 Fund Net Position as capital contributions.

Cash and Equivalents

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to 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.

NOTE 1 - (Continued)**Inventory**

Inventory is 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 forty year lives.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through September 4, 2015, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority signed a contract effective July 1, 2013 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. The contract has been extended for one year, expiring on June 30, 2016. This contract may be renewed for up to two additional one-year periods.

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 February 27, 2018.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$8,888 and \$7,106 for the years ended June 30, 2015 and 2014, respectively.

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk Related To Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC or State depository insurance or collateralized. Insured bank deposits as of June 30, 2015, were \$1,778,151. Uninsured bank deposits as of June 30, 2015 were \$39,135.

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

	<u>2015</u>	<u>2014</u>
Federal		
Operating assistance	\$ 880,440	\$ 893,469
Capital assistance	96,495	832
Total Federal	<u>976,935</u>	<u>894,301</u>
Massachusetts		
Operating assistance	---	27,834
Capital assistance	20,317	108,730
Brokerage services	789,664	526,443
Total Massachusetts	<u>809,981</u>	<u>663,007</u>
Member communities		
Operating assistance for current year expenditures	423,656	413,323
Operating assistance for prior year expenditures	115,852	148,110
Total member communities	<u>539,508</u>	<u>561,433</u>
Other receivables	<u>9,297</u>	<u>35,922</u>
Total receivables	<u>\$ 2,335,721</u>	<u>\$ 2,154,663</u>

The federal government under 49 USC Section 5311, provides for assistance of up to 50% of the Authority's operating deficit. In addition, under 49 USC Sections 5309, 5310 and 5311, the federal government may provide 80% to 100% of the cost of capital equipment.

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:

	2015			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated				
Land	\$ 230,800	\$ ---	\$ ---	\$ 230,800
Total capital assets, not being depreciated	<u>230,800</u>	<u>---</u>	<u>---</u>	<u>230,800</u>
Capital assets, being depreciated				
Revenue vehicles	4,908,639	243,912	(684,434)	4,468,117
Support vehicles	50,164	---	---	50,164
Equipment	963,736	374,158	(22,292)	1,315,602
Computer software	474,641	---	---	474,641
ITC Center	14,517,095	68,262	---	14,585,357
Leasehold improvements	11,651	---	---	11,651
Total capital assets, being depreciated	<u>20,925,926</u>	<u>686,332</u>	<u>(706,726)</u>	<u>20,905,532</u>
Less accumulated depreciation				
Revenue vehicles	2,871,678	537,359	(684,434)	2,724,603
Support vehicles	46,511	3,653	---	50,164
Equipment	475,143	191,666	(22,292)	644,517
Computer software	272,319	23,623	---	295,942
ITC Center	814,297	382,475	---	1,196,772
Leasehold improvements	7,775	934	---	8,709
Total accumulated depreciation	<u>4,487,723</u>	<u>1,139,710</u>	<u>(706,726)</u>	<u>4,920,707</u>
Total capital assets, being depreciated, net	<u>16,438,203</u>	<u>(453,378)</u>	<u>---</u>	<u>15,984,825</u>
Capital assets, net	<u>\$ 16,669,003</u>	<u>\$ (453,378)</u>	<u>\$ ---</u>	<u>\$ 16,215,625</u>

Subsequent to fiscal year end June 30, 2015, the Authority purchased land in the amount of \$171,370 to be used to expand the parking lot at the John W. Olver Transit Center in Greenfield, Massachusetts.

NOTE 4 - (Continued)

	2014			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated				
Land	\$ 230,800	\$ ---	\$ ---	\$ 230,800
Total capital assets, not being depreciated	<u>230,800</u>	<u>---</u>	<u>---</u>	<u>230,800</u>
Capital assets, being depreciated				
Revenue vehicles	4,791,167	557,839	(440,367)	4,908,639
Support vehicles	50,164	---	---	50,164
Equipment	911,402	52,334	---	963,736
Computer software	474,641	---	---	474,641
ITC Center	14,455,568	61,527	---	14,517,095
Leasehold improvements	<u>11,651</u>	<u>---</u>	<u>---</u>	<u>11,651</u>
Total capital assets, being depreciated	<u>20,694,593</u>	<u>671,700</u>	<u>(440,367)</u>	<u>20,925,926</u>
Less accumulated depreciation				
Revenue vehicles	2,546,369	470,926	(145,617)	2,871,678
Support vehicles	40,248	6,263	---	46,511
Equipment	325,210	149,933	---	475,143
Computer software	214,826	57,493	---	272,319
ITC Center	437,226	377,071	---	814,297
Leasehold improvements	<u>6,681</u>	<u>1,094</u>	<u>---</u>	<u>7,775</u>
Total accumulated depreciation	<u>3,570,560</u>	<u>1,062,780</u>	<u>(145,617)</u>	<u>4,487,723</u>
Total capital assets, being depreciated, net	<u>17,124,033</u>	<u>(391,080)</u>	<u>(294,750)</u>	<u>16,438,203</u>
Capital assets, net	<u>\$ 17,354,833</u>	<u>\$ (391,080)</u>	<u>\$ (294,750)</u>	<u>\$ 16,669,003</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>2015</u>	<u>2014</u>
1.00% Revenue anticipation note, due August 12, 2015	\$ 1,200,000	
0.75% Revenue anticipation note, due August 12, 2014		\$ 3,400,000
Total	<u>\$ 1,200,000</u>	<u>\$ 3,400,000</u>

On August 12, 2015, the Authority issued a \$1,000,000 revenue anticipation note maturing on August 12, 2016 at a rate of 0.70%. The Authority repaid the \$1,200,000 note due August 12, 2015.

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:

	<u>2015</u>				<u>Total</u>
	<u>Invested in capital assets, net of debt</u>	<u>Invested in Capital Funded Inventory</u>	<u>Restricted</u>	<u>Unrestricted</u>	
Net income				\$ 5,790	\$ 5,790
Reimbursable depreciation	\$ (1,725)			1,725	---
Nonreimbursable depreciation	(1,137,985)				(1,137,985)
Other nonreimbursable expenses		\$ (4,506)			(4,506)
Capital asset additions					
Government funded	686,332				686,332
State forward funding restricted for revenue anticipation note - FY 2015 repayment			\$ (1,751,710)	1,751,710	---
Increase (decrease) in net position	(453,378)	(4,506)	(1,751,710)	1,759,225	(450,369)
Net position, beginning as restated (See Note 9)	<u>16,655,058</u>	<u>72,246</u>	<u>1,840,750</u>	<u>(328,472)</u>	<u>18,239,582</u>
Net position, ending	<u>\$ 16,201,680</u>	<u>\$ 67,740</u>	<u>\$ 89,040</u>	<u>\$ 1,430,753</u>	<u>\$17,789,213</u>

NOTE 6 - (Continued)

	2014				Total
	Invested in capital assets, net of debt	Invested in Capital Funded Inventory	Restricted	Unrestricted	
Net income				\$ 13,385	\$ 13,385
Reimbursable depreciation	\$ (1,725)			1,725	---
Nonreimbursable depreciation	(1,061,055)				(1,061,055)
Other nonreimbursable expenses		\$ (9,681)			(9,681)
Capital asset additions					
Government funded	671,700				671,700
Decrease in debt for current year capital activity	1,725			(1,725)	---
State forward funding restricted for repayment of revenue anticipation note			\$ 1,751,710		1,751,710
Increase in reserve for extraordinary expenses			13,385	(13,385)	---
Capital assets transferred to another entity	(73,392)				(73,392)
Capital asset destroyed in fire	(221,358)				(221,358)
Increase (decrease) in net position	(684,105)	(9,681)	1,765,095	---	1,071,309
Net position, beginning	17,339,163	81,927	75,655	---	17,496,745
Prior period adjustment (see Note 9)	---	---	---	(328,472)	(328,472)
Net position, ending as restated	<u>\$ 16,655,058</u>	<u>\$ 72,246</u>	<u>\$ 1,840,750</u>	<u>\$ (328,472)</u>	<u>\$18,239,582</u>

Restricted net position

A reserve has been established by the Authority, restricted for the purpose of meeting the cost of extraordinary expenses of the Authority in accordance with MGL Chapter 161B Section 6(q). At June 30, 2015 and 2014 the Authority's reserved balance was \$89,040.

During fiscal year 2014, the Massachusetts Department of Transportation awarded state operating assistance for forward funding to the Authority in the amount of \$1,751,710 which was restricted toward repaying a portion of the Authority's revenue anticipation note on August 12, 2014. As of June 30, 2015, this balance was zero as the funds were applied to the note repayment.

NOTE 7 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2015:

- A. The Authority provided eight fixed routes with the hub being in Greenfield going to Northampton, Orange, Shelburne/Charlemont, Gill, Amherst, and other locations within Greenfield and Montague. During the year ended June 30, 2015 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-seven of the Authority's fifty-one vehicles providing regular maintenance and drivers.
- B. The Authority contracted with ten 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 7 - (Continued)

- C. Under agreement to the Authority, thirteen agencies, including seven 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	Deerfield	Leyden	Rowe
Bernardston	Erving	Middlefield	Russell
Blandford	Gill	Montague	Shelburne
Buckland	Goshen	Montgomery	Shutesbury
Charlemont	Granville	New Salem	Southampton
Chester	Greenfield	Northfield	Southwick
Chesterfield	Hatfield	Orange	Warwick
Colrain	Hawley	Petersham	Wendell
Conway	Heath	Phillipston	Westhampton
Cummington	Huntington	Plainfield	Whately
			Worthington

NOTE 8 - PENSION PLAN**Plan**

The Franklin Regional Retirement System (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan that provides pensions for eligible employees of 39 participating employers. The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Plan does not have the authority to amend benefit provisions. The Plan is governed by a Retirement Board made up of fixed elected and appointed members.

Results of the Plan are based on liabilities developed in an actuarial valuation performed as of January 1, 2014 and rolled forward to the Plan's measurement date of December 31, 2014.

Accounting Policy

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

Plan Membership

At December 31, 2014, pension plan membership consisted of the following:

Active plan members	921
Inactive plan members or beneficiaries currently receiving benefits	541
Inactive plan members entitled to but not yet receiving benefits	<u>557</u>
Total	<u><u>2,019</u></u>

Benefits Provided

The Plan provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's final 3-year (5-year for members hired after April 1, 2012) average compensation times the member's years of service. The percentage is based on the age of the member at retirement and his or her Group classification. A member may retire after reaching the age of 55 and accumulating 10 years of service or after accumulating 20 years of service regardless of age. Benefits vest after 10 years of service. Cost-of-living adjustments of 3% of the first \$15,000 of annual retirement allowance are provided at the discretion of the System's Retirement Board.

NOTE 8 - (Continued)**Contributions**

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

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

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

Pension Liabilities, Expense and Deferred Inflows and Outflows of Resources

At June 30, 2015, the Authority reported a liability of \$349,069 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension relative to the projected contributions of all participating System employers, actuarially determined. At December 31, 2014, the Authority's proportion was 0.93%, which was a decrease of 1.6% from its proportion measured as of December 31, 2013. Net pension liability, deferred outflows/inflows or resources and pension expense are allocated to each employer based on its proportionate share of total employer contributions. For the year ended June 30, 2015, the Authority recognized pension expense (reduction) of \$(5,790). Contributions made subsequent to the measurement date of December 31, 2014 were \$24,107 (\$26,532 subsequent to December 31, 2013 measurement date). At June 30, 2015, the Authority reported deferred inflows and outflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ ---	\$ ---
Net difference between projected and actual investment earnings on pension plan assets	2,280	---
Changes in assumptions	---	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	---	---
Contributions subsequent to the measurement date	<u>24,107</u>	<u>---</u>
Total	<u>\$ 26,387</u>	<u>\$ ---</u>

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

Year ended December 31,	
2015	\$ 24,677
2016	570
2017	570
2018	570

Differences between expected and actual experience are zero because the total pension liability was determined from the use of update procedures to roll forward to the pension plan's most recent year-end which results in all experience during calendar year 2014 exactly as expected.

NOTE 8 - (Continued)

Net difference between projected and actual investment earnings is amortized over 5 years. The first amortized amount is recognized in pension expense and the remaining amounts are categorized as deferred outflows/inflows of resources.

There were no changes in assumptions during the plan year ending December 31, 2014.

As this is the first year of implementation of GASB 68, there are no adjustments due to changes in proportion and proportionate share of contributions.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, rolled forward to the measurement date of December 31, 2014 using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation:	not explicitly assumed
Salary increases:	4% per year, including longevity
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table Projected to 2017 with Scale AA. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table set forward two years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
PRIT Core	45%	10%
Large Cap Equity	12%	12%
Mid Cap Equity	5%	14%
Small Cap Equity	10%	11%
International Equity	5%	8%
Real Estate	10%	10%
Fixed Income	13%	6%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 - (Continued)**Changes in net pension liability**

	Franklin Regional Retirement System			Franklin Regional Transit Authority		
	100%			0.93%		
	<u>Increase (Decrease)</u>			<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at January 1, 2014	\$ 151,531,013	\$ 113,358,538	\$ 38,172,475	\$ 1,409,238	\$ 1,054,234	\$ 355,004
Changes for the year:						
Service cost	4,703,273		4,703,273	43,741		43,741
Interest	11,306,271		11,306,271	105,148		105,148
Changes in benefit terms						
Differences between actual and expected experience	---		---	---		---
Contributions - employer		5,418,158	(5,418,158)		50,389	(50,389)
Contributions - member		3,270,956	(3,270,956)		30,420	(30,420)
Net investment income		8,362,434	(8,362,434)		77,771	(77,771)
Benefit payments, including refunds of member contributions	(11,287,291)	(11,287,291)	---	(104,972)	(104,972)	---
Administrative expense	---	(403,802)	403,802	---	(3,756)	3,756
Net changes	<u>4,722,253</u>	<u>5,360,455</u>	<u>(638,202)</u>	<u>43,917</u>	<u>49,852</u>	<u>(5,935)</u>
Balances at December 31, 2014	<u>\$ 156,253,266</u>	<u>\$ 118,718,993</u>	<u>\$ 37,534,273</u>	<u>\$ 1,453,155</u>	<u>\$ 1,104,086</u>	<u>\$ 349,069</u>

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

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Authority's proportionate share of the net pension liability	\$ 516,954	\$ 349,069	\$ 206,168

Pension Plan Fiduciary Net Position

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

Payable to Pension Plan

At June 30, 2015, the Authority reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position as previously reported at June 30, 2014	\$ 18,568,054
Prior period adjustment Reporting for pensions (measurement date as of December 31, 2014)	<u>(328,472)</u>
Net position as restated, June 30, 2014	<u>\$ 18,239,582</u>

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2016 budget*

For the fiscal year 2016, the Authority has approved an operating budget of \$6,620,158, which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of federal and state programs.

Federal and State funding

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

Risk management

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

NOTE 11 - OPERATING LEASES*Operating Lease Expense - Maintenance Facility*

The Authority 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, including utilities and maintenance was \$101,493 and \$101,854 for the years ended June 30, 2015 and 2014, respectively.

Operating Lease Revenue – Franklin Regional Transit Center

The Authority, as owner and landlord, entered into an agreement to lease office and shared common space to Franklin Regional Council of Governments (FRCOG). The term of the lease is for thirty (30) years, starting July 1, 2012, with two ten year extensions. The base rent is one dollar (\$1.00) per year. The FRCOG is responsible for its share of operating and electricity costs as defined in the lease agreement. Three Advisory Board members are also council members of the FRCOG. Total rental income was \$84,786 and \$75,885 for the years ended June 30, 2015 and 2014, respectively.

NOTE 9 - SALARIES AND OTHER ADMINISTRATIVE EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2015			2014
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Salaries, taxes and fringe benefits				
Salaries	\$ 425,000	\$ 394,224	\$ 30,776	\$ 353,123
Payroll taxes	13,465	10,222	3,243	9,764
Fringe benefits	133,900	112,152	21,748	115,955
Total salaries, taxes and fringe benefits	<u>572,365</u>	<u>516,598</u>	<u>55,767</u>	<u>478,842</u>
Other administrative expenses				
Professional and technical services	151,550	82,568	68,982	78,989
Office supplies	4,500	7,343	(2,843)	8,519
Postage	2,400	3,686	(1,286)	2,414
Utilities	39,800	37,541	2,259	35,856
Travel	7,000	4,649	2,351	5,740
General insurance	25,000	27,046	(2,046)	24,982
Building insurance	37,000	40,421	(3,421)	37,063
Repairs and maintenance	50,750	79,722	(28,972)	55,617
Advertising	10,000	8,888	1,112	7,106
Dues and memberships	5,500	4,807	693	4,958
Miscellaneous	10,350	5,712	4,638	9,822
Reimbursable depreciation	---	1,725	(1,725)	1,725
Total other administrative expenses	<u>343,850</u>	<u>304,108</u>	<u>39,742</u>	<u>272,791</u>
Total	<u>\$ 916,215</u>	<u>\$ 820,706</u>	<u>\$ 95,509</u>	<u>\$ 751,633</u>

FRANKLIN REGIONAL TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

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

	<u>Plan Year End December 31, 2014</u>	
	<u>Franklin Regional Retirement System (100%)</u>	<u>Franklin Regional Transit Authority (0.93%)</u>
Authority's proportion of the net pension liability	100.00%	0.93%
Authority's proportionate share of the net pension liability	\$ 37,534,273	\$ 349,069
Authority's covered-employee payroll	\$ 30,854,652	\$ 353,318
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121.65%	98.80%
Plan fiduciary net position as a percentage of the total pension liability	75.98%	75.98%

Schedule of Authority Pension Contributions

	<u>Plan Year End December 31, 2014</u>	
	<u>Franklin Regional Retirement System (100%)</u>	<u>Franklin Regional Transit Authority (0.93%)</u>
Contractually required contribution	\$ 5,888,495	\$ 53,064
Contributions in relation to the contractually required contribution	<u>(5,888,495)</u>	<u>(53,064)</u>
Contribution deficiency (excess)	<u>\$ ---</u>	<u>\$ ---</u>
Authority's covered-employee payroll	\$ 30,854,652	\$ 353,318
Contributions as a percentage of covered-employee payroll	19.08%	15.02%

Notes to the Required Supplementary Information

Changes of benefit terms: None

Changes of assumptions: None

Last 10 years: only plan year 2014 available

See independent auditors' report

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

	2015	2014
Total operating expenses	\$ 6,763,242	\$ 6,158,248
Eliminate GASB 68 reduction to pension expense	5,790	---
Interest expense	7,516	19,898
 Total eligible expenses	 6,776,548	 6,178,146
 Revenues applied to eligible expenses:		
Fixed route income	143,381	138,792
Demand response income	190,205	163,671
Brokerage service income	3,684,901	3,262,388
Other federal, state and local assistance	169,345	166,638
Interest income	6,244	7,264
Advertising income	8,295	8,070
Rental income	88,786	77,486
Other income	26,918	16,131
Total revenues applied to eligible expenses	4,318,075	3,840,440
 Net operating expenses eligible under Section 5311	 2,458,473	 2,337,706
 Section 5311 participation in eligible expenses	 x 50%	 x 50%
 Maximum Section 5311 operating assistance	 \$ 1,229,237	 \$ 1,168,853
 Sections 5311 operating assistance sought (amount of maximum funding above or less)	 \$ 1,082,841	 \$ 1,112,970

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

- Depreciation taken on property and equipment purchased with capital grant funding.
- Expenses taken on inventory purchased with capital grant funding.
- GASB 68 adjustment for the change in the Authority's net pension liability.

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

	<u>2015</u>	<u>2014</u>
Operating costs		
Administrative costs	\$ 820,706	\$ 751,633
Purchased services		
Fixed route service	1,473,434	1,340,281
Demand response service	991,749	996,208
Brokerage service	3,477,353	3,070,126
Debt service	7,516	19,898
Eliminate GASB 68 reduction to pension expense	5,790	---
Total operating costs	<u>6,776,548</u>	<u>6,178,146</u>
Operating assistance and revenues		
Federal operating assistance	<u>1,240,143</u>	<u>1,267,645</u>
Revenues		
Local revenues		
Fixed route income	143,381	138,792
Demand response income	190,205	163,671
Brokerage service income	3,684,901	3,262,388
Interest income	6,244	7,264
Advertising income	8,295	8,070
Rental income	88,786	77,486
Other income	26,918	16,131
Total local revenues	<u>4,148,730</u>	<u>3,673,802</u>
Other operating assistance	<u>12,043</u>	<u>11,963</u>
Total operating assistance and revenues	<u>5,400,916</u>	<u>4,953,410</u>
Net operating deficit	1,375,632	1,224,736
Increase in reserve for extraordinary expenses	---	13,385
Net cost of service	<u>1,375,632</u>	<u>1,238,121</u>
Net cost of service funding		
Local assessments	423,656	413,323
State contract assistance	<u>951,976</u>	<u>824,798</u>
Total funding	<u>1,375,632</u>	<u>1,238,121</u>
Unreimbursed deficit (surplus)	<u>\$ ---</u>	<u>\$ ---</u>

The following nonreimbursable items are not included in the eligible expenses above:
 Depreciation taken on property and equipment purchased with capital grant funding.
 Expenses taken on inventory purchased with capital grant funding.
 GASB 68 adjustment for the change in the Authority's net pension liability.

See independent auditors' report



Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Carol Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Franklin Regional Transit Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Franklin Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin Regional Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Regional Transit Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin Regional Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Adelson + Company PC
ADELSON & COMPANY PC
Pittsfield, MA

September 4, 2015