

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

Financial Statements and
Supplementary Information

June 30, 2020 and 2019

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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 years ended June 30, 2020 and 2019, 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, 2020 and 2019, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison information for the enterprise fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, and the Schedules of the Authority's Proportionate Share of Net Pension Liability and Pension Contributions on page 21, 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 22 and 23 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, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin Regional Transit Authority's internal control over financial reporting and compliance.



ADELSON & COMPANY PC

September 4, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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, 2020. Management's Discussion and Analysis should be read in conjunction with the financial statements.

Financial Highlights

- The Authority's net position decreased \$(809,747) from fiscal year 2019 primarily due to a net decrease in investment in capital assets of \$(759,901) (depreciation of existing assets, additions of new assets, and disposals of old assets).
- Operating revenues decreased \$(411,235) or 8.5% from fiscal year 2019. The net decrease is attributable to a decrease in fixed route fare income of \$(33,940), a decrease in demand response income of \$(9,100), and a decrease in fully funded (Medicaid Brokerage) services of \$(368,195).
- Operating expenses decreased \$(355,324) or 4.6% from fiscal year 2019. This was primarily due to a decrease in Medicaid Brokerage expenses of \$(363,869), a decrease of fixed route expenses of \$(165,741), an increase in Demand Response service of \$178,475, and a decrease in salaries and administrative expenses of \$(4,189).
- 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt. Net position also consists of a reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits, if any, are reported as unrestricted net position.

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

Summary of Net Position

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Total current assets	\$ 3,190,234	\$ 3,589,916	\$ (399,682)
Property and equipment, net	14,939,880	15,699,781	(759,901)
Deferred outflows of resources related to pensions	<u>257,457</u>	<u>244,632</u>	<u>12,825</u>
Total assets and deferred outflows of resources	<u>18,387,571</u>	<u>19,534,329</u>	<u>(1,146,758)</u>
Accounts payable and accrued expenses	200,388	605,420	(405,032)
Note payable	1,100,000	1,100,000	---
Net pension liability	588,281	696,756	(108,475)
Deferred inflows of resources related to pensions	<u>181,123</u>	<u>4,627</u>	<u>176,496</u>
Total liabilities and deferred inflows of resources	<u>2,069,792</u>	<u>2,406,803</u>	<u>(337,011)</u>
Investment in capital assets, net of related debt	14,939,880	15,699,781	(759,901)
Invested in capital funded inventory	52,692	49,066	3,626
Restricted reserve	89,040	89,040	---
Unrestricted	<u>1,236,167</u>	<u>1,289,639</u>	<u>(53,472)</u>
Total net position	<u>\$ 16,317,779</u>	<u>\$ 17,127,526</u>	<u>\$ (809,747)</u>

FRANKLIN REGIONAL TRANSIT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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

	6/30/2020	6/30/2019	Change
Total operating revenues	\$ 4,387,867	\$ 4,799,102	\$ (411,235)
Total operating expenses	7,292,112	7,647,436	(355,324)
Operating income (loss)	(2,904,245)	(2,848,334)	(55,911)
Total non-operating revenues (expenses)	2,849,048	2,785,022	64,026
Income (loss) before capital contributions and other items	(55,197)	(63,312)	8,115
Capital contributions	229,971	757,321	(527,350)
Nonreimbursable depreciation	(974,338)	(1,074,846)	100,508
Other nonreimbursable expenses	(10,183)	(13,419)	3,236
Change in net position	(809,747)	(394,256)	(415,491)
Net position, beginning	17,127,526	17,521,782	(394,256)
Net position, ending	\$ 16,317,779	\$ 17,127,526	\$ (809,747)

Operating revenues decreased \$(411,235) or 8.5% from fiscal year 2019. The details are as follows:

- Fixed route income – decreased by \$(33,940) or 25.6% from fiscal year 2019 with a decrease in farebox collections due to the suspended enforcement of fare collections as passengers boarded through the rear side door with reduced services brought about by the corona virus pandemic.
- Demand response income – decreased by \$(9,100) or 7.6% from fiscal year 2019 as the Med Ride Program was shut down and the Councils on Aging either greatly reduced or suspended activities given the health risks of COVID-19.
- Brokerage service income – decreased by \$(368,195) or 8.1% from fiscal year 2019. Human Services Transportation administration ceased all programs other than Medicaid services, and even this one active segment was greatly curtailed. Medicaid transportation is primarily for medical appointments and many doctor/clinic visits were deferred in response to the virus.

Operating expenses decreased \$(355,324) or 4.6% from fiscal year 2019. The details are as follows:

- Fixed Route service expense – decreased by \$(165,741) or 9.9% from fiscal year 2019 due to the reduction of services (COVID-19) as noted above under operating revenues.
- Demand response service expense – increased by \$178,475 or 22.6% from fiscal year 2019 driven by new services being provided under a Discretionary Funds grant as part of the Authority's State Contract Assistance. All of the other demand response categories showed decreases (see income above).

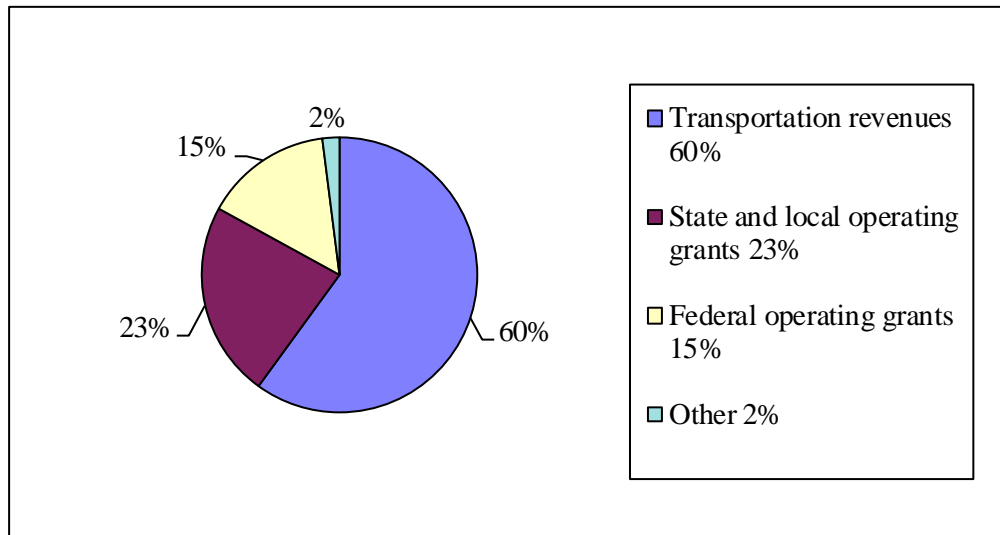
FRANKLIN REGIONAL TRANSIT AUTHORITY
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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

- Brokerage service expense – decreased by \$(363,869) or 8.6% from fiscal year 2019 due to the curtailment of Human Service Transportation services deemed prudent given the contagion of the corona virus.
- Administrative salaries, taxes and fringe benefits expense – increased by \$10,499 or 1.6% from fiscal year 2019 due to a cost of living increase in salaries and additional maintenance staff hours used to perform projects that the building closure (COVID-19) facilitated.
- Other administrative expenses – decreased by \$(14,688) or 4.9% from fiscal year 2019 due to a reduction in equipment expenses from the fiscal year 2019 total which included non-depreciable purchases paid for by RTA Capital. With the closure of the building and some staff working remotely (COVID-19) some other expenses were also reduced.

Total Operating and Non-operating
Revenues of \$7,255,556 by Source

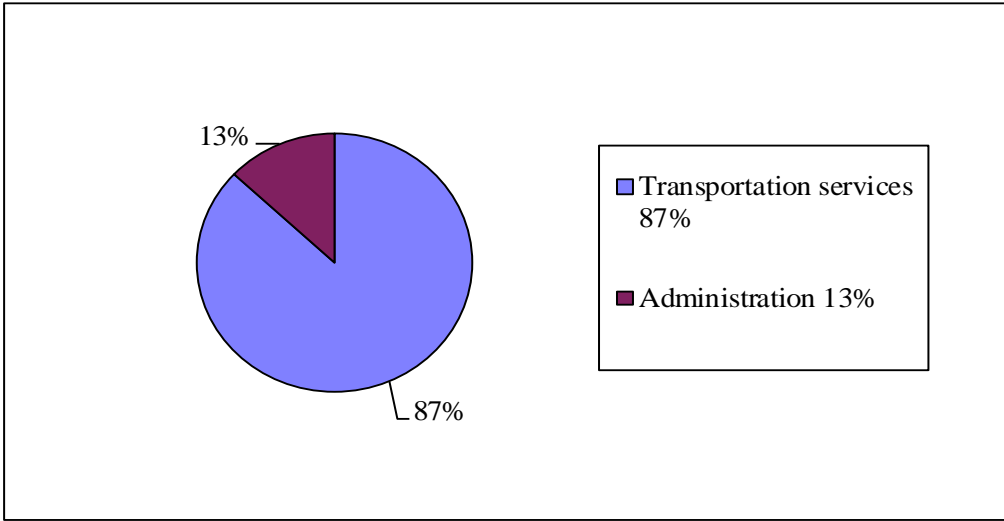


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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Total Operating and Non-operating
Expenses of \$7,310,753 by Source



Budget vs. Actual – an analysis of significant 2020 budget variances, including reasons for the variances that may affect future services or liquidity is as follows:

- Fixed route income was \$(43,070) less than budget due to the suspended enforcement of fare collections and reduced services caused by corona virus concerns.
- Brokerage services income was \$(351,370) less than budget due to all programs but Medicaid being suspended due to health risks associated with COVID-19.
- Fixed route expenses were \$259,712 less than budget due to services were reduced in response to the pandemic and the effect that it had on ridership.
- Demand response expenses were \$(163,824) more than budget due to additional services being provided under a Discretionary Funds grant (State Contract Assistance). Other than this, demand response expenses were considerably under budget.
- Brokerage services expenses were \$360,063 less than budget due to services suspensions as referred to under income above.
- Administrative salaries, taxes, and fringe benefits were \$(21,938) more than budget due to an increase in the net pension liability of \$55,197, which is a non-reimbursable cost at this time.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

Capital Asset and Debt Administration

Capital assets

The Authority’s purchase of capital assets during the year ended June 30, 2020 was \$216,162. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The details on capital assets totaling \$14,939,880, net of accumulated depreciation, are disclosed in Note 5 of the financial statements. The purchase of capital assets includes:

	<u>Amount</u>
Equipment	\$ 30,518
ITC Center improvements	56,280
Construction of maintenance facility	<u>129,364</u>
Total	<u>\$ 216,162</u>

Revenue Anticipation Notes

At the end of fiscal year 2020 and fiscal year 2019, the Authority had a revenue anticipation note payable of \$1,100,000. This note provides cash flow until federal, state and local appropriations are received.

Subsequent to fiscal year end June 30, 2020, the Authority issued a new \$1,100,000 revenue anticipation note on August 7, 2020 maturing on August 6, 2021 at a rate of 1.25%. The Authority repaid the \$1,100,000 note due August 7, 2020.

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. The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears (currently 2 years back) through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5%, plus the members’ share of any new services.

Local assessments continue to be funded in arrears (2 years behind). This contributes in large part to the Authority’s borrowing needs.

Future service / funding needs

The Authority is entering fiscal year 2021 with persistent concerns regarding funding for State Contract Assistance with this being determined by the annual state budget process. Federal 5311 funds are allocated among the rural RTAs by the Department of Transportation and, although projections are provided, the actual share for the individual “rural” is typically not announced until the fourth quarter of the fiscal year. The Authority will need increases in funding sources for future years, given annual cost increases, if the current level of service is to be maintained.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

With the onset of the corona virus pandemic in late winter, the Authority experienced a significant reduction in passenger traffic. Ridership dropped 27.5% in March (compared to 2019) and 87% in April (compared to 2019). This trend continued through to year-end. In addition, our normal operating expenses remained the same as we did not lay anyone off, and instead, focused on delivering essential trips (work, medical, pharmacy, and shopping) and at the same time, concentrated on safety through social distancing by strategically suspending routes, temporarily reducing vehicle capacity, allowing rear-door boarding/alighting, and not enforcing fare collections. Along with the resulting revenue losses, the Authority has incurred additional expenses in terms of providing this protection for both passengers and employees. These expenses include cleaning supplies, personal protective equipment, and shielding on buses and office areas. The Authority has access to \$1,897,691 from the Federal Cares Act, under a contract with the Massachusetts Department of Transportation that runs from January 20, 2020 to September 30, 2021, to offset COVID-19 related expenses and loss of revenue. How much of these funds will be needed depends upon how soon the epidemic can be brought under control and how soon the consumers regain confidence in utilizing public transportation. Bringing all services back on line and making the Transit Center available to the public will also be determined by these two factors. The Authority did use \$93,052 of this funding for fiscal year 2020.

Currently, the Authority is operating with two unfilled positions and has opted not to immediately hire new personnel due in part to the lower ridership levels caused by the corona virus pandemic, but also because of the delayed results of the Human Services Transportation Request for Proposal which could possibly consolidate statewide brokerage services under one Regional Transit Authority. Once a determination is made by HST on this RFP and how the Authority will be impacted, the issue of administrative staffing levels will be revisited.

The Authority continues to lease a maintenance facility as the process of acquiring property and planning/construction of a maintenance facility of its own has been slowed by contract issues and negotiations. The Authority has been awarded a Federal grant of \$6,000,000 for the project with the State having already provided some funding. The Federal grant is considerably less than had been applied for which has hampered the engineering and design work that was underway. Every effort is being made to produce an adequate maintenance facility with the available funding.

Requests for Information

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

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

STATEMENTS OF NET POSITION

June 30,

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 1,253,106	\$ 713,869
Receivables	1,701,300	2,645,166
Inventory	137,419	133,982
Prepaid expenses	33,409	31,899
Working capital held by fixed route operator	65,000	65,000
Total current assets	3,190,234	3,589,916
Property and equipment, net	14,939,880	15,699,781
TOTAL ASSETS	18,130,114	19,289,697
Deferred outflows of resources		
Deferred outflows related to pensions	257,457	244,632
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	18,387,571	19,534,329
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable	168,212	572,738
Accrued vacation	12,176	7,751
Accrued interest	20,000	24,931
Note payable	1,100,000	1,100,000
Net pension liability	588,281	696,756
TOTAL LIABILITIES	1,888,669	2,402,176
Deferred inflows of resources		
Deferred inflows related to pensions	181,123	4,627
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,069,792	2,406,803
NET POSITION		
Invested in capital assets, net of related debt	14,939,880	15,699,781
Invested in capital funded inventory	52,692	49,066
Restricted	89,040	89,040
Unrestricted	1,236,167	1,289,639
TOTAL NET POSITION	\$ 16,317,779	\$ 17,127,526

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 141,650	\$ 98,580	\$ (43,070)
Demand response income	114,180	111,345	(2,835)
Brokerage service income	4,529,312	4,177,942	(351,370)
Total operating revenues	4,785,142	4,387,867	(397,275)
Operating expenses			
Fixed route service	1,782,214	1,522,502	259,712
Demand response service	804,194	968,018	(163,824)
Brokerage service	4,220,000	3,859,937	360,063
Salaries, taxes and fringe benefits	636,087	658,025	(21,938)
Other administrative expenses	274,950	283,630	(8,680)
Total operating expenses	7,717,445	7,292,112	425,333
Operating income (loss)	(2,932,303)	(2,904,245)	28,058
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,346,705	1,003,343	(343,362)
Federal CARES Act	---	93,052	93,052
Massachusetts	975,775	1,117,428	141,653
Member communities	484,323	495,591	11,268
Other federal and state assistance	193,568	193,568	---
Pass through grant	(162,268)	(162,268)	---
Interest income	5,500	5,132	(368)
Advertising income	7,500	13,190	5,690
Rental income	95,000	99,115	4,115
Other income	10,200	9,538	(662)
Interest expense	(24,000)	(18,641)	5,359
Total non-operating revenues (expenses)	2,932,303	2,849,048	(83,255)
Income (loss) before capital contributions and other items	\$ ---	(55,197)	\$ (55,197)
Capital contributions		229,971	
Nonreimbursable depreciation		(974,338)	
Other nonreimbursable expenses		(10,183)	
CHANGE IN NET POSITION		(809,747)	
Net position, beginning		17,127,526	
NET POSITION, ENDING		\$ 16,317,779	

See notes to financial statements.

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 110,650	\$ 132,520	\$ 21,870
Demand response income	118,935	120,445	1,510
Brokerage service income	4,114,580	4,546,137	431,557
Total operating revenues	4,344,165	4,799,102	454,937
Operating expenses			
Fixed route service	1,644,185	1,688,243	(44,058)
Demand response service	816,150	789,543	26,607
Brokerage service	3,809,500	4,223,806	(414,306)
Salaries, taxes and fringe benefits	585,475	647,526	(62,051)
Other administrative expenses	273,148	298,318	(25,170)
Total operating expenses	7,128,458	7,647,436	(518,978)
Operating income (loss)	(2,784,293)	(2,848,334)	(64,041)
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,213,087	1,180,585	(32,502)
Massachusetts	951,976	975,775	23,799
Member communities	467,632	474,207	6,575
Other state assistance	37,698	37,698	---
Interest income	4,100	5,627	1,527
Advertising income	5,000	19,556	14,556
Rental income	99,800	101,399	1,599
Other income	15,000	11,469	(3,531)
Interest expense	(10,000)	(21,294)	(11,294)
Total non-operating revenues (expenses)	2,784,293	2,785,022	729
Income (loss) before capital contributions and other items	\$ ---	(63,312)	\$ (63,312)
Capital contributions		757,321	
Nonreimbursable depreciation		(1,074,846)	
Other nonreimbursable expenses		(13,419)	
CHANGE IN NET POSITION		(394,256)	
Net position, beginning		17,521,782	
NET POSITION, ENDING		\$ 17,127,526	

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,400,224	\$ 4,847,980
Payments for goods and services	(6,317,822)	(6,873,982)
Payments to employees	(662,450)	(647,605)
NET CASH (USED) BY OPERATING ACTIVITIES	(2,580,048)	(2,673,607)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts of operating grants	3,137,725	2,668,265
Proceeds from issuing revenue anticipation note	1,100,000	1,100,000
Repayment of revenue anticipation note	(1,100,000)	(750,000)
Interest paid	(23,572)	(6,542)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,114,153	3,011,723
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Receipts of capital grants	229,971	757,321
Payments for capital acquisitions	(229,971)	(757,321)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	---	---
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	5,132	5,627
NET CASH PROVIDED BY INVESTING ACTIVITIES	5,132	5,627
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	539,237	343,743
Cash and equivalents, beginning	713,869	370,126
CASH AND EQUIVALENTS, ENDING	\$ 1,253,106	\$ 713,869
Reconciliation of operating loss to net cash used by operating activities:		
OPERATING LOSS	\$ (2,904,245)	\$ (2,848,334)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Reimbursable depreciation	1,725	1,725
Advertising income	13,190	19,556
Rental income	99,115	101,399
Other income	9,538	11,469
Other nonreimbursable expenses	(10,183)	(13,419)
Change in assets and liabilities:		
(Increase) decrease in receivables	546,855	(165,842)
(Increase) decrease in inventory	10,371	11,834
(Increase) decrease in prepaids	(1,510)	(1,010)
Increase (decrease) in accounts payable	(404,526)	145,624
Increase (decrease) in accrued vacation	4,425	79
Increase (decrease) in net pension liability	55,197	63,312
NET CASH USED BY OPERATING ACTIVITIES	\$ (2,580,048)	\$ (2,673,607)

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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. 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, 2020 and 2019, the Authority's reserve balance was \$89,040.

Unrestricted

All amounts not included in other spendable classifications.

Funding and Revenue Recognition

The Authority realizes revenue from a variety of different sources including but not limited to local assessment revenue, federal and state operating and capital assistance, fare revenue, and non-fare revenue such as advertising and rental income. Revenue is recognized on the accrual basis of accounting.

Federal and state operating and capital assistance grants are recorded at the time eligible expenditures under the terms of the grants are incurred. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

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.

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 bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Inventory

Inventory is stated at the lower of acquisition cost or net realizable value. Cost is determined by the first-in, first-out method.

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 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, 2020, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority signed a contract effective July 1, 2018 for its fixed route and some of its paratransit and demand response transportation services with Franklin Transit Management, Inc. (FTM), a division of First Transit, Inc. The contract expires on June 30, 2028.

Approximately ninety percent (90%) of FTM's employees are members of the Local 274 United Electrical, Radio and Machine Workers of America Union. FTM's labor agreement with the Union is effective through March 31, 2021.

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk Related To Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC or State depository insurance or collateralized. Bank deposits as of June 30, 2020 were \$1,397,307, all of which was insured.

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

	<u>2020</u>	<u>2019</u>
Federal		
Operating assistance	\$ 745,109	\$ 1,017,624
Operating assistance - Federal CARES Act	<u>93,052</u>	<u>---</u>
Total Federal	<u>838,161</u>	<u>1,017,624</u>
Massachusetts		
Operating assistance	10,422	---
Capital assistance	8,352	276,569
Brokerage services	<u>157,822</u>	<u>692,320</u>
Total Massachusetts	<u>176,596</u>	<u>968,889</u>
Member communities		
Operating assistance for current year expenditures	495,591	474,207
Operating assistance for prior year expenditures	<u>176,816</u>	<u>157,953</u>
Total member communities	<u>672,407</u>	<u>632,160</u>
Other receivables	<u>14,136</u>	<u>26,493</u>
Total receivables	<u>\$ 1,701,300</u>	<u>\$ 2,645,166</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.

During fiscal year 2020, the Authority received Federal CARES Act funding under Section 5311 to cover eligible operating expenses incurred beginning January 20, 2020. The funding covered 100% of eligible expenses.

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 - WORKING CAPITAL HELD BY FIXED ROUTE OPERATOR

Franklin Transit Management, Inc. (FTM) is the fixed route operator for the Authority. They also operate a portion of the demand response service for the Authority. The assets and liabilities held by FTM are owned by the Authority and consist mainly of cash, inventory, prepaid expenses, and accounts payable and accrued wages. The value of these assets less liabilities held by FTM as of June 30, 2020 and 2019 was \$65,000 and are reported as working capital in the Authority's financial statements.

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

The Authority is subsidized by local assessments received from its Member communities for its annual “Net Cost of Service”. The Authority is also subsidized by the Federal government. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

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

	<u>2020</u>	<u>2019</u>
2.00% Revenue anticipation note, due August 7, 2020	\$ 1,100,000	\$ ---
2.50% Revenue anticipation note, due August 9, 2019	<u>---</u>	<u>1,100,000</u>
Total	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

On August 7, 2020, the Authority issued a \$1,100,000 revenue anticipation note maturing on August 6, 2021 at a rate of 1.25%. The Authority repaid the \$1,100,000 note due August 7, 2020.

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

NOTE 7 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	<u>2020</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 (loss)				\$ (55,197)	\$ (55,197)
Reimbursable depreciation	\$ (1,725)			1,725	---
Nonreimbursable depreciation	(974,338)				(974,338)
Other nonreimbursable expenses		\$ (10,183)			(10,183)
Capital contributions	<u>216,162</u>	<u>13,809</u>			<u>229,971</u>
Increase (decrease) in net position	(759,901)	3,626	---	(53,472)	(809,747)
Net position, beginning	<u>15,699,781</u>	<u>49,066</u>	<u>89,040</u>	<u>1,289,639</u>	<u>17,127,526</u>
Net position, ending	<u>\$ 14,939,880</u>	<u>\$ 52,692</u>	<u>\$ 89,040</u>	<u>\$ 1,236,167</u>	<u>\$ 16,317,779</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, 2020 and 2019 the Authority's reserved balance was \$89,040.

NOTE 7 - (Continued)

	2019				
	Invested in capital assets, net of debt	Invested in Capital Funded Inventory	Restricted	Unrestricted	Total
Net income (loss)				\$ (63,312)	\$ (63,312)
Reimbursable depreciation	\$ (1,725)			1,725	---
Nonreimbursable depreciation	(1,074,846)				(1,074,846)
Other nonreimbursable expenses		\$ (13,419)			(13,419)
Capital contributions	748,665	8,656			757,321
Other changes	13,945			(13,945)	---
Increase (decrease) in net position	(313,961)	(4,763)	---	(75,532)	(394,256)
Net position, beginning	16,013,742	53,829	89,040	1,365,171	17,521,782
Net position, ending	<u>\$ 15,699,781</u>	<u>\$ 49,066</u>	<u>\$ 89,040</u>	<u>\$ 1,289,639</u>	<u>\$ 17,127,526</u>

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2020:

- A. The Authority provided eight fixed routes with the hub being in Greenfield going to Northampton, Orange, Shelburne/Charlemont, Sunderland, and other locations within Greenfield and Montague. During the year ended June 30, 2020 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 nineteen of the Authority's thirty-five 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.
- C. Under agreement to the Authority, nine agencies, including six Councils on Aging (COA), and three private vendors, in addition to a group of volunteers, provided demand-response paratransit service to qualified elderly and disabled persons in their communities. 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	Middlefield	Russell
Bernardston	Erving	Montague	Shelburne
Blandford	Gill	Montgomery	Shutesbury
Buckland	Goshen	New Salem	Southampton
Charlemont	Greenfield	Northfield	Southwick
Chester	Hatfield	Orange	Warwick
Chesterfield	Hawley	Petersham	Wendell
Colrain	Heath	Phillipston	Westhampton
Conway	Huntington	Plainfield	Whately
Cummington	Leyden	Rowe	Worthington

NOTE 9 - PENSION PLAN**Plan**

The Franklin Regional Retirement System (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan that provides pensions for eligible employees of 38 participating employers. The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Plan does not have the authority to amend benefit provisions. The Plan is governed by a Retirement Board made up of five elected and appointed members.

Results of the Plan for the fiscal year ended June 30, 2020 are based on liabilities developed in an actuarial valuation performed as of January 1, 2020 for the Plan's measurement date of December 31, 2019.

Results of the Plan for the fiscal year ended June 30, 2019 are based on liabilities developed in an actuarial valuation performed as of January 1, 2018 and rolled forward to the Plan's measurement date of December 31, 2018.

Accounting Policy

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

Plan Membership

Plan membership consisted of the following at December 31:

	2019	2018
Active plan members	1,044	1,023
Inactive plan members or beneficiaries currently receiving benefits	656	633
Inactive plan members entitled to but not yet receiving benefits	611	604
Total	<u>2,311</u>	<u>2,260</u>

Benefits Provided

The Plan provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's final 3-year (5-year for members hired after April 1, 2012) average compensation times the member's years of service. The percentage is based on the age of the member at retirement and his or her Group classification. A member may retire after reaching the age of 55 and accumulating 10 years of service or after accumulating 20 years of service regardless of age. Benefits vest after 10 years of service. Cost-of-living adjustments of 3% of the first \$17,000 of annual retirement allowance are provided at the discretion of the System's Retirement Board.

Contributions

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

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

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

NOTE 9 - (Continued)**Actuarial Assumptions**

The total pension liability in the December 31, 2019 and 2018 actuarial valuations were determined using the following assumptions, applied to all periods included in the measurement:

Inflation:	2.5% per year, for the year ended December 31, 2019 3% per year, for the year ended December 31, 2018
Salary increases:	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation

Mortality rates for the 2019 actuarial valuations were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Mortality rates for the 2018 actuarial valuations were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

The long-term expected rate of return on pension plan investments for the 2019 and 2018 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, are summarized in the following table:

Asset Class	2019		2018	
	Target Allocation	Long-Term Expected Rate of Return	Target Allocation	Long-Term Expected Rate of Return
PRIT Core	45%	5%	45%	5%
Domestic Equity	32%	7%	27%	5%
International Equity	5%	4%	5%	5%
Real Estate	10%	7%	10%	7%
Fixed Income	8%	3%	13%	2%
Total	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75% for the 2019 and 2018 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - (Continued)**Changes in net pension liability**

	Franklin Regional Retirement System			Franklin Regional Transit Authority		
	100%			1.20% for 2019		
	1.14% for 2018					
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 189,640,566	\$ 143,920,151	\$ 45,720,415	\$ 2,001,467	\$ 1,518,934	\$ 482,533
Net changes	8,097,584	(7,519,733)	15,617,317	244,708	30,485	214,223
Balance at December 31, 2018	197,738,150	136,400,418	61,337,732	2,246,175	1,549,419	696,756
Net changes	8,253,951	20,713,063	(12,459,112)	233,055	341,530	(108,475)
Balance at December 31, 2019	<u>\$205,992,101</u>	<u>\$157,113,481</u>	<u>\$ 48,878,620</u>	<u>\$ 2,479,230</u>	<u>\$ 1,890,949</u>	<u>\$ 588,281</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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension liability as of December 31, 2019	\$ 862,968	\$ 588,281	\$ 355,697
Authority's proportionate share of the net pension liability as of December 31, 2018	\$ 947,509	\$ 696,756	\$ 484,465

Payable to Pension Plan

At June 30, 2020 and 2019, the Authority reported a payable of \$-0- for outstanding amounts of contributions to the pension plan.

Pension Liabilities, Expense and Deferred Inflows and Outflows of Resources

At June 30, 2020, the Authority reported a liability of \$588,281 for its proportionate share of the net pension liability (\$696,756 at June 30, 2019). 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, 2019, the Authority's proportion was 1.20%, which was an increase of .06% from its proportion measured as of December 31, 2018 of 1.14%. Net pension liability, deferred outflows/inflows of resources and pension expense are allocated to each employer based on its proportionate share of total employer contributions. For the year ended June 30, 2020, the Authority recognized pension expense of \$140,181 (pension expense of \$141,623 for the year ended June 30, 2019). Contributions made subsequent to the measurement date of December 31, 2019 were \$43,632 (\$41,354 subsequent to December 31, 2018 measurement date).

NOTE 9 - (Continued)

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

	2020		2019	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 7,774	\$ 9,650	\$ 12,329	\$ 564
Net difference between projected and actual investment earnings on pension plan assets	117,151	171,473	101,167	---
Changes in assumptions	22,958	---	23,238	---
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,942	---	66,544	4,063
Contributions subsequent to the measurement date	43,632	---	41,354	---
Total	\$ 257,457	\$ 181,123	\$ 244,632	\$ 4,627

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

Year ended June 30:	2020	2019
2020	\$ ---	\$ 117,247
2021	72,420	50,178
2022	10,011	31,896
2023	19,868	40,684
2024	(25,965)	---
Total deferred outflows of resources	\$ 76,334	\$ 240,005

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.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2021 budget*

For the fiscal year 2021, the Authority has approved an operating budget of \$8,827,321, 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 on a month-to-month basis. Total lease expense, including utilities and maintenance was \$110,747 and \$100,179 for the years ended June 30, 2020 and 2019, 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 \$99,115 and \$96,599 for the years ended June 30, 2020 and 2019, respectively.

NOTE 12 - FEDERAL CARES ACT FUNDING

During fiscal year 2020, the Authority was awarded federal operating assistance under the Coronavirus Aid Relief and Economic Security (CARES) Act through existing federal program 49 USC Section 5311, passed through the Massachusetts Department of Transportation. The funding is to cover eligible operating expenses and other costs, net of fare revenue, incurred as part of the Authority's response to COVID-19 beginning on or after January 20, 2020. Per the CARES Act and the awarding contract, the funding covers 100% of eligible expenses and does not require state or local matches.

The following contract was awarded to the Authority:

	<u>Performance Period</u>	<u>Total Contract Amount</u>	<u>Funds Spent in Fiscal Year 2020</u>	<u>Remaining Contract Amount</u>
Federal CARES Act funding passed through the Massachusetts Department of Transportation	January 20, 2020 to September 30, 2021	\$ 1,897,691	\$ 93,052	\$ 1,804,639

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

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

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

	Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Franklin Regional Retirement System net pension liability	\$48,878,620	\$61,337,732	\$45,720,415	\$52,538,226	\$46,589,813	\$37,534,273
Authority's proportion of the net pension liability	1.20%	1.14%	1.06%	0.95%	0.85%	0.93%
Authority's proportionate share of the net pension liability	\$ 588,281	\$ 696,756	\$ 482,533	\$ 499,209	\$ 397,900	\$ 349,069
Authority's covered-employee payroll	\$ 372,671	\$ 347,069	\$ 342,037	\$ 401,188	\$ 341,220	\$ 353,318
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	157.86%	200.75%	141.08%	124.43%	116.61%	98.80%
Plan fiduciary net position as a percentage of the total pension liability	76.27%	68.98%	75.89%	70.75%	71.73%	75.98%

Schedule of Authority Pension Contributions

	Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Franklin Regional Retirement System contractually required contribution	\$ 6,871,971	\$ 6,506,893	\$ 6,166,761	\$ 5,875,820	\$ 5,645,345	\$ 5,888,495
Authority's contractually required contribution	82,708	73,914	65,084	55,831	48,214	53,064
Authority's contributions in relation to the contractually required contribution	(82,708)	(73,914)	(65,084)	(55,831)	(48,214)	(53,064)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Authority's covered-employee payroll	\$ 372,671	\$ 347,069	\$ 342,037	\$ 401,188	\$ 341,220	\$ 353,318
Contributions as a percentage of covered-employee payroll	22.19%	21.30%	19.03%	13.92%	14.13%	15.02%

Notes to the Required Supplementary Information

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

Changes of assumptions: Mortality tables and rates were updated as of December 31, 2019. Inflation rate decreased from 3% to 2.5%.

Last 10 years: Only plan years 2014 to 2019 available.

See independent auditors' report.

FRANKLIN REGIONAL TRANSIT AUTHORITY
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SUPPLEMENTARY INFORMATION

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

	2020	2019
Total operating expenses	\$ 7,292,112	\$ 7,647,436
Interest expense	18,641	21,294
Eliminate GASB adjustment for increase to pension expense	(55,197)	(63,312)
Total eligible expenses	7,255,556	7,605,418
Revenues applied to eligible expenses:		
Fixed route income	98,580	132,520
Demand response income	111,345	120,445
Brokerage service income	4,177,942	4,546,137
Other assistance	203,846	76,886
Pass through grant	(162,268)	---
Interest income	5,132	5,627
Advertising income	13,190	19,556
Rental income	99,115	101,399
Other income	9,538	11,469
Total revenues applied to eligible expenses	4,556,420	5,014,039
Net operating expenses eligible under Section 5311	2,699,136	2,591,379
Less CARES Act funding received under Section 5311 for 100% of eligible operating expenses incurred during the period January 20, 2020 through June 30, 2020.	93,052	---
Remaining operating expenses eligible under Section 5311 subject 50% participation in eligible expenses	2,606,084	2,591,379
Federal participation in eligible expenses	x 50%	x 50%
Maximum Section 5311 operating assistance allowed	\$ 1,303,042	\$ 1,295,690
Section 5311 operating assistance sought (amount of maximum funding above or less)	\$ 993,065	\$ 1,141,397

Note 1: The following nonreimbursable items are not included in the eligible expenses above:

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

See independent auditors' report.

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

SUPPLEMENTARY INFORMATION

STATEMENTS OF NET COST OF SERVICE

For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>
Operating costs		
Administrative costs	\$ 941,655	\$ 945,844
Purchased services		
Fixed route service	1,522,502	1,688,243
Demand response service	968,018	789,543
Brokerage service	3,859,937	4,223,806
Debt service	18,641	21,294
Eliminate GASB adjustment for increase to pension expense	<u>(55,197)</u>	<u>(63,312)</u>
Total operating costs	<u>7,255,556</u>	<u>7,605,418</u>
Operating assistance and revenues		
Federal and other operating assistance	1,289,963	1,218,283
Less pass through grant	<u>(162,268)</u>	<u>---</u>
Total federal and other operating assistnace	<u>1,127,695</u>	<u>1,218,283</u>
Revenues		
Local revenues		
Fixed route income	98,580	132,520
Demand response income	111,345	120,445
Brokerage service income	4,177,942	4,546,137
Interest income	5,132	5,627
Advertising income	13,190	19,556
Rental income	99,115	101,399
Other income	<u>9,538</u>	<u>11,469</u>
Total local revenues	<u>4,514,842</u>	<u>4,937,153</u>
Total operating assistance and revenues	<u>5,642,537</u>	<u>6,155,436</u>
Net operating deficit	1,613,019	1,449,982
Increase in reserve for extraordinary expenses	<u>---</u>	<u>---</u>
Net cost of service	<u>1,613,019</u>	<u>1,449,982</u>
Net cost of service funding		
Local assessments	495,591	474,207
State contract assistance	<u>1,117,428</u>	<u>975,775</u>
Total funding	<u>1,613,019</u>	<u>1,449,982</u>
Unreimbursed deficit (surplus)	<u>\$ ---</u>	<u>\$ ---</u>

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

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

See independent auditors' report.

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, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2020, 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, 2020.

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.

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September 4, 2020