

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

Financial Statements and
Supplementary Information

June 30, 2020 and 2019

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Fund Net Position	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 21
Required Supplementary Information	
Schedule of Change in Net Pension Liability and Related Ratios	22
Schedule of Pension Contributions	23
Supplementary Information	
Computation of Operating Assistance From the Federal Transit Administration	24
Statement of Net Cost of Service	25
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	26 - 27



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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
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Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Berkshire 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 the Berkshire 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 Berkshire 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, Schedule of Change in Net Pension Liability and Related Ratios on page 22, and the Schedule of 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 the Berkshire 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. The 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 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 1, 2020, on our consideration of the Berkshire 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 the Berkshire Regional Transit Authority's internal control over financial reporting and compliance.

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September 1, 2020

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2020 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 and identify any material deviations from the financial plan (the approved budget).

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$12,895,432.
- The Authority's total net position had a net decrease of \$(548,248) from fiscal year 2019, mainly due to contributed capital assets of \$945,468, current year non-reimbursable depreciation on capital assets of \$(1,485,635), an increase in the Authority's reserve of \$4,639 as allowed under M.G.L. 161B Section 6(q), and an increase in the Authority's net pension liability and related deferred outflows and inflows of resources of \$(12,720).
- Operating revenues decreased \$1,726,869 or 14.8% from fiscal year 2019 due to decreased ridership and resulted in decreased fare revenue due to the COVID-19 pandemic. Non-essential travel was restricted from March 23, 2020 through April 28, 2020. Demand response trips were limited to essential medical travel only, which significantly decreased demand response fare income. Four of the five HST brokerage programs ceased service from April through June 2020 and HST brokerage income was significantly decreased.
- Operating expenses decreased \$964,475 or 5.6% from fiscal year 2019, despite fixed route expenses experiencing an approximate \$600,000 increase due to increased management and operating costs. Fixed route expenses were not reduced due to COVID-19 travel restrictions. Normal route service levels were maintained as long as possible to provide essential travel needs. Demand Response saw an approximate \$40,000 decrease due to reduced ridership for non-essential travel. HST brokerage expenses saw a decrease of approximately \$1,600,000 in brokerage expenses due to travel restrictions noted above.
- The Authority expended \$968,051 on capital assets, of which \$945,468 was contributed by the federal and state government.
- As a result of the COVID-19 pandemic, the Commonwealth of Massachusetts issued a stay at home order beginning March 17, 2020. This had a negative effect on both paratransit and fixed route revenue and ridership. Specifically, ridership dropped on fixed route 58% and paratransit 67% when comparing the fourth quarter of fiscal year 2020 to fiscal year 2019. Revenue dropped on fixed route 52.2% and paratransit 76% during the same period. Prior to the March decline, fixed route ridership was trending 5.4% higher over last fiscal year along with revenue trending 11.95% above budget.

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

- During fiscal year 2020, the Authority received Federal CARES Act operating assistance under 49 USC Section 5307 direct funding, and 49 USC Section 5311, passed through the Massachusetts Department of Transportation. The Federal CARES Act 5307 funding awarded to the Authority totals \$5,678,543 and is available to cover 100% of eligible operating expenses and costs incurred in response to COVID-19 beginning January 20, 2020 until fully spent. The Authority used \$508,734 of this 5307 funding during fiscal year 2020. The Federal CARES Act 5311 funds awarded to the Authority for fiscal year 2020 and fiscal year 2021 total \$454,310. Of that, \$57,262 was used in fiscal year 2020. The remaining portion of the Federal 5311 funds have not yet been contracted to the Authority by Massachusetts Department of Transportation.
- The Authority's operations are funded annually through a state 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 the Massachusetts Department of Transportation formed for the purpose of carrying out business-type activities in 26 western Massachusetts communities. The Authority's financial statements consist of three main statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and 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 of its net investment in capital assets (e.g. land, buildings, revenue vehicles and office equipment), less any debt used to acquire those assets, and working capital held by the Authority's fixed route and paratransit operators. The Authority uses these capital assets and working capital held by the fixed route and paratransit operators to provide transportation services to individuals within its service area. Although the Authority's capital assets are 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 restricted reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits 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.

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

A summary of the Authority's net position consisted of the following at June 30:

Summary of Net Position			
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Total current assets	\$ 6,833,548	\$ 6,988,129	\$ (154,581)
Property and equipment, net	12,525,206	13,066,313	(541,107)
Deferred outflows related to pensions	<u>207,915</u>	<u>142,900</u>	<u>65,015</u>
Total assets and deferred outflows of resources	<u>19,566,669</u>	<u>20,197,342</u>	<u>(630,673)</u>
Accounts payable and other accrued liabilities	672,096	1,232,256	(560,160)
Note payable	5,150,000	4,750,000	400,000
Net pension liability	768,670	685,283	83,387
Deferred inflows of resources related to pensions	<u>80,471</u>	<u>86,123</u>	<u>(5,652)</u>
Total liabilities and deferred inflows of resources	<u>6,671,237</u>	<u>6,753,662</u>	<u>(82,425)</u>
Investment in capital assets, net of related debt	12,525,206	13,066,313	(541,107)
Restricted			
Reserve	190,186	185,547	4,639
Working capital held by fixed route and paratransit operators	773,741	797,816	(24,075)
Unrestricted	<u>(593,701)</u>	<u>(605,996)</u>	<u>12,295</u>
Total net position	<u>\$ 12,895,432</u>	<u>\$ 13,443,680</u>	<u>\$ (548,248)</u>

Restricted net position

The Authority's restricted net position represents amounts that can be spent only for specific purposes because of state laws, externally imposed conditions by grantors or creditors, and other restrictions for a particular purpose. The Authority's restricted net position consisted of the following at June 30:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Restricted net position			
Accumulated reserve established under Massachusetts			
General Laws for extraordinary expenses	\$ 190,186	\$ 185,547	\$ 4,639
Working capital held by fixed route and paratransit operators	<u>773,741</u>	<u>797,816</u>	<u>(24,075)</u>
Total	<u>\$ 963,927</u>	<u>\$ 983,363</u>	<u>\$ (19,436)</u>

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

A summary of the Authority's change in fund net position consisted of the following at June 30:

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

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Total operating revenues	\$ 9,960,360	\$ 11,687,229	\$ (1,726,869)
Total operating expenses	<u>16,427,450</u>	<u>17,391,925</u>	<u>(964,475)</u>
Operating income (loss)	(6,467,090)	(5,704,696)	(762,394)
 Total non-operating revenues (expenses)	 <u>6,459,009</u>	 <u>5,688,179</u>	 <u>770,830</u>
 Income (loss) before capital contributions and other items	 (8,081)	 (16,517)	 8,436
 Capital contributions	 945,468	 606,877	 338,591
Nonreimbursable depreciation	<u>(1,485,635)</u>	<u>(1,595,692)</u>	<u>110,057</u>
 Change in net position	 (548,248)	 (1,005,332)	 457,084
 Net position, beginning	 <u>13,443,680</u>	 <u>14,449,012</u>	 <u>(1,005,332)</u>
 Net position, ending	 <u>\$ 12,895,432</u>	 <u>\$ 13,443,680</u>	 <u>\$ (548,248)</u>

Operating revenues decreased \$1,726,869 or 14.8% from the prior year. This net decrease is attributable to a decrease in brokerage service income of \$(1,629,762), a decrease in fixed route income of \$(63,926), and a decrease in demand response income of \$(33,181). All of the decreases in revenues are attributable to decreases in trip volume due to COVID-19.

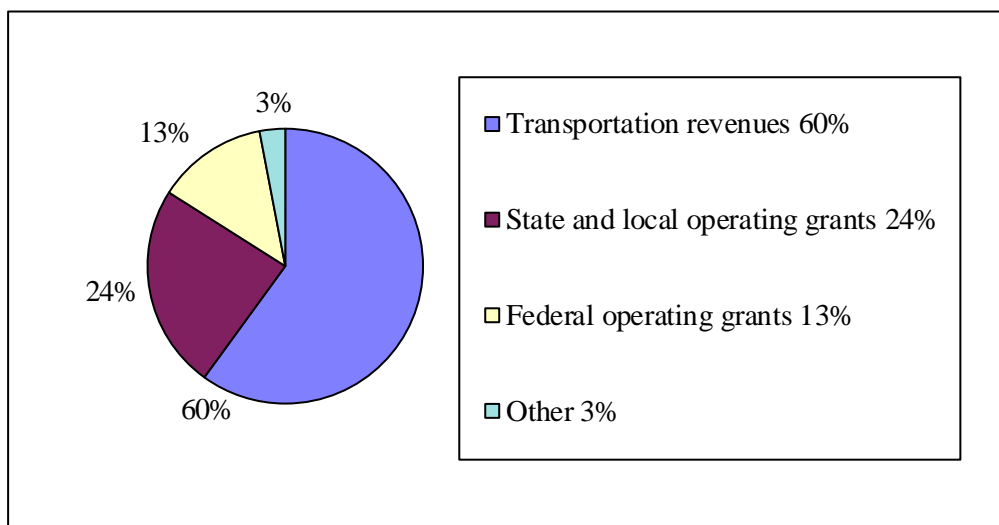
Operating expenses decreased \$964,475 or 5.6% from the prior year. The net decrease is attributable to a decrease in brokerage service expenses of \$(1,601,338) mainly due decreased trip volume; an increase in fixed route service expenses of \$669,666 mainly due to additional purchases of personal protective equipment (PPE) items; a decrease in demand response service of \$(55,623) due to decreased trip volume; and an increase in administrative and other operating expenses of \$22,820, mainly due to an increase in the GASB adjustment for pension expense, decrease in audit and consulting fees, restructured telephone contracts and reduced travel expenses.

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

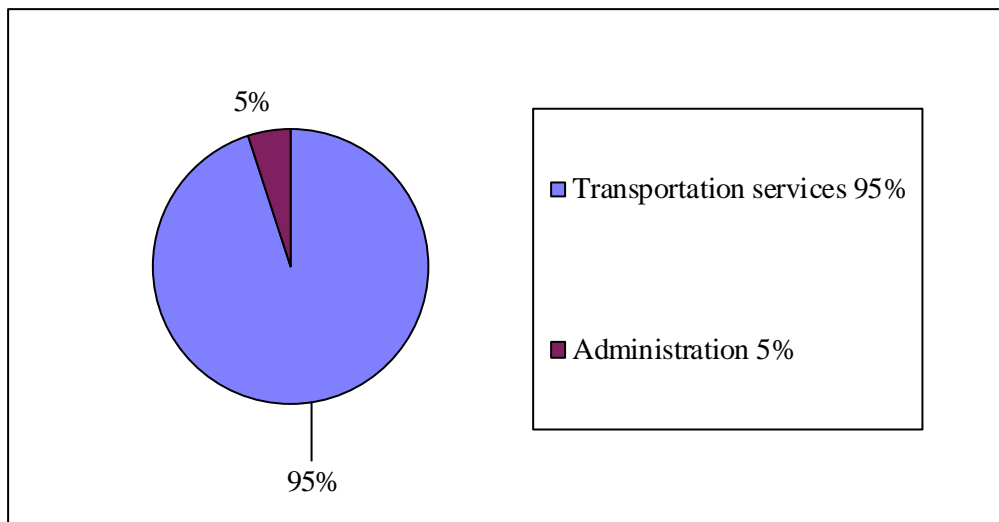
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Total Operating and Non-operating
Revenues of \$16,506,616 by Source



Total Operating and Non-operating
Expenses of \$16,514,697 by Source



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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

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

- Brokerage service income was under budget by \$2,222,750 and brokerage service expenses were under budget by \$2,201,080 because of decreased trip volume due to the COVID-19 pandemic beginning in March 2020.
- Fixed route service income was under budget by \$18,970 mainly due to decreased trip volume due to the COVID-19 pandemic. The fixed route service expense was over budget by \$60,712 due to direct application of software contracts, higher than expected property and liability insurance costs and a decrease in fuel expenses.
- Demand response income was under budget by \$36,922 primarily due to a decrease in premium trip volume and the impact of the COVID-19 pandemic. Demand response expense was under budget by \$85,166 primarily due to a decrease in wages due to the impact of the COVID-19 pandemic.
- Administrative salaries, taxes and fringe benefits were over budget by \$59,999 primarily due to an increase in the Authority's net pension liability and deferred outflows and inflows of resources of \$12,720, which is a non-reimbursable cost at this time.
- Administrative expenses were under budget \$85,688 due to lower than expected utility costs, allocation of direct software costs to other departments, reduced travel expenses, and cost savings measures.

Capital Asset and Debt Administration

Capital assets

The Authority's net decrease in capital assets during the year ending June 30, 2020 was \$541,107. The Authority primarily acquires its capital assets under federal and state capital grants. During fiscal year 2020, the Authority acquired revenue vehicles and made improvements to its facilities, which were nearly all covered by capital grants. The details on capital assets totaling \$12,525,206, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

Revenue Anticipation Notes

At the end of fiscal year 2020, the Authority had a revenue anticipation note payable of \$5,150,000 maturing on July 31, 2020 at a rate of 2.00%. On July 29, 2020, the Authority issued a revenue anticipation note payable of \$5,300,000 maturing on July 29, 2021 at a rate of 1.25%. This note provides cash flow until federal and state appropriations are received.

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Travel Training

The Authority has a travel training program to assist residents of Berkshire County to increase public transportation awareness and usage. Certified travel trainers assist customers on how to ride the bus, read the schedules, and become more independent.

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.

As of September 1, 2020, the Commonwealth of Massachusetts has not yet passed a fiscal year 2021 budget, and therefore the complete contract has not been executed. Discussions with MassDOT have assumptions of State Contract Assistance (SCA) payments scheduled for quarterly payments at the fiscal year 2019 levels. However, the Federal CARES Act 5307 funding awarded to the Authority totals \$5,678,543 and is available to cover 100% of eligible operating expenses and costs incurred in response to COVID-19 beginning January 20, 2020 until fully spent. As of June 30, 2020, the Authority has used \$508,734 of these funds. Federal CARES Act 5311 funds awarded to the Authority for fiscal years 2020 and 2021 total \$454,310. Of that, \$57,262 was used in fiscal year 2020. An additional \$453,310 in Federal CARES Act 5311 funds are slated for the Authority's use but have not yet been contracted to the Authority by Massachusetts Department of Transportation.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Berkshire Regional Transit Authority, One Columbus Avenue – Suite 201, Pittsfield, MA, 01201.

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

STATEMENTS OF NET POSITION

JUNE 30,

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 1,928,815	\$ 1,119,729
Receivables, net	4,110,268	5,017,816
Prepaid expenses	20,724	52,768
Working capital held by fixed route and paratransit operators	<u>773,741</u>	<u>797,816</u>
Total current assets	6,833,548	6,988,129
Property and equipment, net	<u>12,525,206</u>	<u>13,066,313</u>
TOTAL ASSETS	19,358,754	20,054,442
Deferred outflows of resources		
Deferred outflows related to pensions	<u>207,915</u>	<u>142,900</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>19,566,669</u>	<u>20,197,342</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable	363,115	935,666
Accrued payroll and related liabilities	24,790	19,776
Unearned revenue	188,065	169,130
Accrued interest	96,126	107,684
Note payable	5,150,000	4,750,000
Net pension liability	<u>768,670</u>	<u>685,283</u>
TOTAL LIABILITIES	6,590,766	6,667,539
Deferred inflows of resources		
Deferred inflows related to pensions	<u>80,471</u>	<u>86,123</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,671,237</u>	<u>6,753,662</u>
NET POSITION		
Invested in capital assets, net of related debt	12,525,206	13,066,313
Restricted		
Reserve	190,186	185,547
Working capital held by fixed route and paratransit operators	773,741	797,816
Unrestricted	<u>(593,701)</u>	<u>(605,996)</u>
TOTAL NET POSITION	<u>\$ 12,895,432</u>	<u>\$ 13,443,680</u>

See notes to financial statements.

BERKSHIRE 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	\$ 622,716	\$ 603,746	\$ (18,970)
Demand response income	115,000	78,078	(36,922)
Brokerage service income	11,501,286	9,278,536	(2,222,750)
Total operating revenues	<u>12,239,002</u>	<u>9,960,360</u>	<u>(2,278,642)</u>
Operating expenses			
Fixed route service	5,389,618	5,450,330	(60,712)
Demand response service	1,051,547	966,381	85,166
Brokerage service	11,232,002	9,030,922	2,201,080
Other operating expenses	218,485	218,485	---
Administrative salaries, taxes and fringe benefits	420,661	480,660	(59,999)
Administrative expenses	342,837	257,149	85,688
Reimbursable depreciation	---	23,523	(23,523)
Total operating expenses	<u>18,655,150</u>	<u>16,427,450</u>	<u>2,227,700</u>
Operating income (loss)	<u>(6,416,148)</u>	<u>(6,467,090)</u>	<u>(50,942)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	2,135,563	1,558,192	(577,371)
Federal CARES Act	---	565,996	565,996
Massachusetts	3,033,696	3,049,874	16,178
Member communities	974,698	974,698	---
Other federal and state assistance	218,485	218,485	---
Advertising income	35,000	35,000	---
Rental income	56,319	55,533	(786)
Other income	42,387	65,372	22,985
Interest income	15,000	23,106	8,106
Interest expense	(95,000)	(87,247)	7,753
Total non-operating revenues (expenses)	<u>6,416,148</u>	<u>6,459,009</u>	<u>42,861</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(8,081)	<u>\$ (8,081)</u>
Capital contributions		945,468	
Nonreimbursable depreciation		<u>(1,485,635)</u>	
CHANGE IN NET POSITION		(548,248)	
Net position, beginning		<u>13,443,680</u>	
NET POSITION, ENDING		<u>\$ 12,895,432</u>	

See notes to financial statements.

BERKSHIRE 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	\$ 712,672	\$ 667,672	\$ (45,000)
Demand response income	133,312	111,259	(22,053)
Brokerage service income	10,391,557	10,908,298	516,741
Total operating revenues	<u>11,237,541</u>	<u>11,687,229</u>	<u>449,688</u>
Operating expenses			
Fixed route service	4,734,547	4,780,664	(46,117)
Demand response service	1,031,029	1,022,004	9,025
Brokerage service	10,293,911	10,632,260	(338,349)
Other operating expenses	270,245	270,245	---
Administrative salaries, taxes and fringe benefits	393,019	422,818	(29,799)
Administrative expenses	246,350	228,776	17,574
Reimbursable depreciation	---	35,158	(35,158)
Total operating expenses	<u>16,969,101</u>	<u>17,391,925</u>	<u>(422,824)</u>
Operating income (loss)	<u>(5,731,560)</u>	<u>(5,704,696)</u>	<u>26,864</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,936,720	1,794,828	(141,892)
Massachusetts	2,505,101	2,554,954	49,853
Member communities	950,925	950,925	---
Other federal and state assistance	270,245	270,245	---
Advertising income	50,000	50,000	---
Rental income	52,319	56,319	4,000
Other income	33,000	73,116	40,116
Interest income	12,000	20,546	8,546
Interest expense	(78,750)	(82,754)	(4,004)
Total non-operating revenues (expenses)	<u>5,731,560</u>	<u>5,688,179</u>	<u>(43,381)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(16,517)	<u>\$ (16,517)</u>
Capital contributions		606,877	
Nonreimbursable depreciation		<u>(1,595,692)</u>	
CHANGE IN NET POSITION		(1,005,332)	
Net position, beginning		<u>14,449,012</u>	
NET POSITION, ENDING		<u>\$ 13,443,680</u>	

See notes to financial statements.

BERKSHIRE 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	\$ 11,429,586	\$ 11,491,677
Payments for goods and services	(15,871,206)	(16,260,403)
Payments to employees	(893,205)	(828,783)
Net cash provided (used) by operating activities	<u>(5,334,825)</u>	<u>(5,597,509)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	5,842,193	6,198,471
Proceeds from issuing revenue anticipation notes	5,150,000	4,750,000
Repayments of revenue anticipation notes	(4,750,000)	(4,500,000)
Interest paid	(98,805)	(52,656)
Net cash provided (used) by noncapital financing activities	<u>6,143,388</u>	<u>6,395,815</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	945,468	606,877
Payments for capital acquisitions	(968,051)	(607,253)
Net cash provided (used) by capital and related financing activities	<u>(22,583)</u>	<u>(376)</u>
Cash flows from investing activities:		
Interest on savings	23,106	20,546
Net cash provided (used) by investing activities	<u>23,106</u>	<u>20,546</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	809,086	818,476
Cash and equivalents, beginning	<u>1,119,729</u>	<u>301,253</u>
CASH AND EQUIVALENTS, ENDING	<u><u>\$ 1,928,815</u></u>	<u><u>\$ 1,119,729</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (6,467,090)	\$ (5,704,696)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	23,523	35,158
Advertising income	35,000	50,000
Rental income	55,533	56,319
Other income	65,372	73,116
Change in assets and liabilities:		
(Increase) decrease in receivables	1,432,600	(228,716)
(Increase) decrease in prepaid expenses	32,044	60,562
(Increase) decrease in working capital held by operator	24,075	(60,000)
Increase (decrease) in accounts payable	(572,551)	127,392
Increase (decrease) in accrued payroll and related liabilities	5,014	603
Increase (decrease) in unearned revenue	18,935	(28,290)
Increase (decrease) in net pension liability	<u>12,720</u>	<u>21,043</u>
Net cash provided (used) by operating activities	<u><u>\$ (5,334,825)</u></u>	<u><u>\$ (5,597,509)</u></u>

See notes to financial statements.

BERKSHIRE 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 Berkshire 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 the cities of Pittsfield and North Adams and the towns of Adams, Alford, Becket, Cheshire, Clarksburg, Dalton, Egremont, Florida, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, Monterey, Mt. Washington, New Ashford, Otis, Peru, Richmond, Sheffield, Stockbridge, Washington, Williamstown and Windsor. 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 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 \$190,186 and \$185,547, respectively.

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

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. The valuation allowance has not been material to the financial statements.

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.

NOTE 1 - (Continued)**Allocation of Indirect Costs**

An indirect cost allocation plan established under Office of Management and Budget's Uniform Guidance is utilized in which all costs that are not chargeable directly to a program are allocated to each program on the basis of either salaries or operating expenses charged directly to each program.

Use of Estimates

The preparation of financial statements in conformity with 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 1, 2020, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority has a contract for its fixed route transportation services with Berkshire Transit Management, Inc. (BTM), a division of First Transit, Inc. The contract expires on June 30, 2021.

The Authority has a contract for its ADA/Paratransit services with Paratransit Management of the Berkshires, Inc. (PMB), also a division of First Transit, Inc. The contract expires on June 30, 2021.

Approximately seventy-five percent (75%) of BTM employees and ninety-eight (98%) of PMB employees are members of the International Brotherhood of Teamsters, Local 404 (the Union). BTM's and PMB's labor agreements with the Union is effective through June 30, 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 and DIF insurance. Insured bank deposits as of June 30, 2020, were \$2,280,368. Uninsured bank deposits as of June 30, 2020, were \$-0-.

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

	<u>2020</u>	<u>2019</u>
Federal		
Operating assistance	\$ 1,576,731	\$ 1,792,469
Operating assistance - Federal CARES Act	565,996	---
Capital assistance	<u>2,841</u>	<u>10,460</u>
Total federal	<u>2,145,568</u>	<u>1,802,929</u>
Massachusetts		
Operating assistance	49,841	---
Capital assistance	136,186	52,470
Brokerage services	<u>394,729</u>	<u>1,863,955</u>
Total Massachusetts	<u>580,756</u>	<u>1,916,425</u>
Member communities		
Operating assistance for current year expenditures	974,698	950,925
Operating assistance for prior year expenditures	<u>302,987</u>	<u>277,904</u>
Total member communities	<u>1,277,685</u>	<u>1,228,829</u>
Other receivables	<u>106,259</u>	<u>69,633</u>
Total receivables	<u><u>\$ 4,110,268</u></u>	<u><u>\$ 5,017,816</u></u>

The Federal government, under 49 USC sections 5307, 5311 and other sections, provides for assistance of up to 50% of the Authority's operating deficit. In addition, under 49 USC sections 5307, 5309 and 5310, 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 Sections 5307 and 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 Massachusetts 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 AND PARATRANSIT OPERATORS

Berkshire Transit Management, Inc. (BTM) is the fixed route operator for the Authority. The assets and liabilities held by BTM are owned by the Authority and consist mainly of cash, inventory, prepaid expenses, accounts payable and accrued wages. The value of these assets less liabilities held by BTM as of June 30, 2020 and 2019 were \$713,741 and \$737,816, respectively, and are reported as working capital held by the fixed route operator in the Authority's financial statements.

Paratransit Management of the Berkshires, Inc. (PMB) is the paratransit operator for the Authority. The assets and liabilities held by PMB are owned by the Authority and consist mainly of cash, prepaid expenses, accounts payable and accrued wages. The value of these assets less liabilities held by PMB as of June 30, 2020 and 2019 was \$60,000.

Total working capital held by BTM and PMB as of June 30, 2020 and 2019 was \$773,741 and \$797,816, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2020		
	Beginning Balance	Increases	Decreases
			Ending Balance
Capital assets, not being depreciated:			
Land	\$ 61,628	\$ ---	\$ 61,628
Total capital assets, not being depreciated	61,628	---	61,628
Capital assets, being depreciated:			
Buildings	15,133,918	5,534	15,139,452
Revenue equipment	10,283,708	863,798	11,136,631
Office equipment and furniture	307,819	98,719	401,705
Service vehicles	339,917	---	315,575
Total capital assets, being depreciated	26,065,362	968,051	26,993,363
Less accumulated depreciation for:			
Buildings	6,661,011	406,447	7,067,458
Revenue equipment	5,924,225	1,025,861	6,939,211
Office equipment and furniture	217,324	22,663	235,154
Service vehicles	258,117	54,187	287,962
Total accumulated depreciation	13,060,677	1,509,158	14,529,785
Total capital assets, being depreciated, net	13,004,685	(541,107)	12,463,578
Capital assets, net	\$ 13,066,313	\$ (541,107)	\$ 12,525,206

NOTE 5 - (Continued)

	2019			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Total capital assets, not being depreciated	<u>61,628</u>	<u>---</u>	<u>---</u>	<u>61,628</u>
Capital assets, being depreciated:				
Buildings	15,082,279	52,721	(1,082)	15,133,918
Revenue equipment	10,620,500	460,248	(797,040)	10,283,708
Office equipment and furniture	213,535	94,284	---	307,819
Service vehicles	<u>339,917</u>	<u>---</u>	<u>---</u>	<u>339,917</u>
Total capital assets, being depreciated	<u>26,256,231</u>	<u>607,253</u>	<u>(798,122)</u>	<u>26,065,362</u>
Less accumulated depreciation for:				
Buildings	6,256,384	405,709	(1,082)	6,661,011
Revenue equipment	5,562,723	1,158,542	(797,040)	5,924,225
Office equipment and furniture	205,366	11,958	---	217,324
Service vehicles	<u>203,476</u>	<u>54,641</u>	<u>---</u>	<u>258,117</u>
Total accumulated depreciation	<u>12,227,949</u>	<u>1,630,850</u>	<u>(798,122)</u>	<u>13,060,677</u>
Total capital assets, being depreciated, net	<u>14,028,282</u>	<u>(1,023,597)</u>	<u>---</u>	<u>13,004,685</u>
Capital assets, net	\$ 14,089,910	\$ (1,023,597)	\$ ---	\$ 13,066,313

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

	2020	2019
2.00% Revenue anticipation note due July 31, 2020	\$ 5,150,000	
3.00% Revenue anticipation note due August 2, 2019		\$ 4,750,000
Total	<u>\$ 5,150,000</u>	<u>\$ 4,750,000</u>

On July 29, 2020, the Authority issued a \$5,300,000 revenue anticipation note maturing on July 29, 2021 at a rate of 1.25%. The Authority repaid the \$5,150,000 note due July 31, 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:

	2020				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital Held by Operators	Unrestricted	Total
Net income (loss)				\$ (8,081)	\$ (8,081)
Reimbursable depreciation	\$ (23,523)			23,523	---
Nonreimbursable depreciation	(1,485,635)				(1,485,635)
Capital contributions	945,468				945,468
Other changes	22,583			(22,583)	---
Increase in reserve for extraordinary expenses		\$ 4,639		(4,639)	---
Decrease in working capital held by operators			\$ (24,075)	24,075	---
Increase (decrease) in net position	(541,107)	4,639	(24,075)	12,295	(548,248)
Net position, beginning	13,066,313	185,547	797,816	(605,996)	13,443,680
Net position, ending	<u>\$ 12,525,206</u>	<u>\$ 190,186</u>	<u>\$ 773,741</u>	<u>\$ (593,701)</u>	<u>\$ 12,895,432</u>

	2019				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital Held by Operators	Unrestricted	Total
Net income (loss)				\$ (16,517)	\$ (16,517)
Reimbursable depreciation	\$ (35,158)			35,158	---
Nonreimbursable depreciation	(1,595,692)				(1,595,692)
Capital contributions	606,877				606,877
Other changes	54,784			(54,784)	---
Increase in reserve for extraordinary expenses		\$ 4,526		(4,526)	---
Increase in working capital held by operators			\$ 60,000	(60,000)	---
Increase (decrease) in net position	(969,189)	4,526	60,000	(100,669)	(1,005,332)
Net position, beginning	14,035,502	181,021	737,816	(505,327)	14,449,012
Net position, ending	<u>\$ 13,066,313</u>	<u>\$ 185,547</u>	<u>\$ 797,816</u>	<u>\$ (605,996)</u>	<u>\$ 13,443,680</u>

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

- A. Fixed route service was provided by Berkshire Transit Management, Inc. to the communities of Adams, Cheshire, Dalton, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, New Ashford, North Adams, Pittsfield, Stockbridge and Williamstown. Payments are based upon reimbursement for actual costs incurred plus a fixed management fee of \$234,061.
- B. Taxi companies provide door-to-door transportation service for the elderly and disabled in the Authority's member communities. The Authority sells taxi tickets at a twenty percent discount from the face value to various agencies, which distribute them to residents of member communities. Payments under these contracts are based upon the face value of tickets returned by the taxi operators. The sale of taxi tickets by the Authority ended as of July 1, 2019, and redemption of tickets ended on June 30, 2020. As of July 1, 2020, this service is no longer available.
- C. Paratransit Management of the Berkshires, Inc. provides paratransit services mandated by the Americans with Disabilities Act (ADA) as well as non-ADA door-to-door services to approved customers. Payments are based upon reimbursement for actual costs incurred. Customer fees for both services are paid through the purchase of tickets from the Authority and redemption of tickets upon travel. The Americans with Disabilities Act mandates that ADA service be made available to approved persons unable to access the fixed route buses at a cost not to exceed twice the maximum fare on the fixed route system. User cost is between \$2.50 and \$9.00 based upon trip origin and destination. Non-ADA fees range from \$7.50 to \$32.50 dependent upon the quantity of towns traversed.
- D. Council on Aging (COA) organizations and other private transportation agencies provide paratransit service to qualified persons with disabilities as well as the elderly.
- E. Taxi companies and chaircar/ambulatory van companies provide transportation for Department of Medical Assistance (DMA), Department of Developmental Services (DDS), Department of Public Health (DPH), Massachusetts Rehabilitation Commission (MRC), Department of Mental Health (DMH), and Massachusetts Commission for the Blind (MCB) eligible recipients. These provider companies submit invoices to the Authority for payment of fees established by agreement with the Authority. The Authority is reimbursed for the provider service costs. In addition, the Department of Human Service Transportation (HST) paid the Authority a fixed management fee of \$463,401 during fiscal year 2020 for providing these services.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Authority is a member of the Commonwealth of Massachusetts Deferred Compensation Program. The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect To Service For State and Local Governments). The plan is administered by Great-West Retirement Services. Under the plan, employees may elect to defer a portion of their salaries and postpone paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

As part of its fiduciary role, the Authority has an obligation of due care in selecting the third party administrator. In the opinion of the Authority's management, the Authority has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan

The Authority provides retirement benefits to employees through the Berkshire Regional Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan which covers all eligible employees of the Authority. Employees, who are at least 21 years old, are eligible to enter the plan on the first day of the plan year. New members of the Plan become 100% vested over a five-year period. The Plan issues a publicly available report that includes financial reports and required supplementary information for the plan. The Plan's report can be obtained by writing to Berkshire Regional Transit Authority, One Columbus Avenue, Pittsfield, Massachusetts 01201 or by calling (413) 499-2782.

Results of the Plan are based on liabilities developed in an actuarial valuation performed as of June 30, 2020 with a measurement date of June 30, 2020.

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 June 30:

	2020	2019
Active plan members	11	11
Inactive plan members entitled to but not yet receiving benefits	---	---
Total	11	11

Benefits Provided

The Plan provides both retirement and death benefits. Retirement benefits are calculated at 2.5% of a member's average monthly compensation times the number of years of service to a maximum of 40 years. Benefit payments are based upon a member's age, length of creditable service and level of compensation. Normal retirement is attained at age 65 with at least 5 years of service. A retirement allowance may be received early if the participant has reached age 55 and completed five years of service.

Contributions

Each year, the Authority makes contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to meet benefit obligations when due. For the fiscal year ending June 30, 2020, the Authority's average contribution rate was 23.36% of annual payroll (20.85% for fiscal year ending June 30, 2019).

NOTE 10 - (Continued)**Actuarial Assumptions**

The total pension liability in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% and for future periods
Salary increases	2.00% annually and for future periods
Investment rate of return	5.00%, net of pension plan investment expense, including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2020 and 2019 IRC 430(h)(3)(A) Combined Mortality Tables
Employee termination	None assumed
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments for the 2020 and 2019 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	100.00%	2.50%

Discount rate

The discount rate used to measure the total pension liability for 2020 and 2019 was 5.00%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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 10 - (Continued)**Change in net pension liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	<u>\$ 1,117,848</u>	<u>\$ 443,860</u>	<u>\$ 673,988</u>
Changes for the year:			
Service cost	95,207		95,207
Interest	61,031		61,031
Changes in benefit terms	---		---
Changes of assumptions	(5,620)		(5,620)
Differences between actual and expected experience	(204)		(204)
Contributions - employer		115,001	(115,001)
Net investment income		24,118	(24,118)
Benefit payments, including refunds of member contributions	(15,111)	(15,111)	---
Administrative expense		---	---
Net changes	<u>135,303</u>	<u>124,008</u>	<u>11,295</u>
Balances at June 30, 2019	<u>1,253,151</u>	<u>567,868</u>	<u>685,283</u>
Changes for the year:			
Service cost	101,455		101,455
Interest	68,958		68,958
Changes in benefit terms	---		---
Changes of assumptions	(1,653)		(1,653)
Differences between actual and expected experience	78,616		78,616
Contributions - employer		136,000	(136,000)
Net investment income		27,989	(27,989)
Benefit payments, including refunds of member contributions	(49,115)	(49,115)	---
Administrative expense		---	---
Net changes	<u>198,261</u>	<u>114,874</u>	<u>83,387</u>
Balances at June 30, 2020	<u>\$ 1,451,412</u>	<u>\$ 682,742</u>	<u>\$ 768,670</u>

NOTE 10 - (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rate of 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Plan net pension liability as of June 30, 2020	\$ 990,565	\$ 768,670	\$ 584,238
Plan net pension liability as of June 30, 2019	\$ 888,040	\$ 685,283	\$ 517,738

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2020, the Transit Authority recognized pension expense of \$172,247 (\$136,044 for the year ended June 30, 2019). At June 30, 2020 and 2019, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 163,878	\$ 71,447	\$ 96,350	\$ 76,809
Changes in assumptions	39,930	6,518	42,690	5,293
Net difference between projected and actual earnings on pension plan investments	4,107	2,506	3,860	4,021
Total	<u>\$ 207,915</u>	<u>\$ 80,471</u>	<u>\$ 142,900</u>	<u>\$ 86,123</u>

Amounts reported as of June 30 for deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	2020	2019
Year ended June 30:		
2020		\$ 3,655
2021	\$ 9,130	3,922
2022	7,439	2,223
2023	8,689	3,475
2024	8,575	3,359
2025	8,058	3,475
Thereafter	85,553	36,668
Total	<u>\$ 127,444</u>	<u>\$ 56,777</u>

Payable to Pension Plan

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2021 budget

For the fiscal year 2021, the Authority has approved an operating budget of \$18,893,173, which excludes depreciation. 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 expenditures 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 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 programs 49 USC Sections 5307 and 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 contracts, the funding covers 100% of eligible expenses and does not require state or local matches.

The following contracts were awarded to the Authority:

	Performance Period	Total Contract Amount	Funds Spent in Fiscal Year 2020	Remaining Contract Amount
Federal CARES Act funding passed through the Massachusetts Department of Transportation				
Federal Section 5307	January 20, 2020 until spent	\$ 5,678,543	\$ 508,734	\$ 5,169,809
Federal Section 5311	January 20, 2020 to September 30, 2021	<u>454,310</u>	<u>57,262</u>	<u>397,048</u>
Total		<u>\$ 6,132,853</u>	<u>\$ 565,996</u>	<u>\$ 5,566,857</u>

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

SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

BRTA Pension Plan
(see also Note 10)
Plan Year End June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Service cost	\$ 101,455	\$ 95,207	\$ 99,853	\$ 99,716	\$ 96,120	\$ 87,751
Interest	68,958	61,031	58,458	44,571	36,117	48,941
Changes in benefit terms	---	---	---	---	---	---
Changes of assumptions	(1,653)	(5,620)	44,668	2,129	1,716	---
Differences between expected and actual experience	78,616	(204)	(17,135)	85,419	31,541	(83,295)
Benefit payment, including refunds of employee contributions	(49,115)	(15,111)	(91,535)	---	---	(212,166)
Net change in total pension liability	198,261	135,303	94,309	231,835	165,494	(158,769)
Total pension liability, beginning	1,253,151	1,117,848	1,023,539	791,704	626,210	784,979
Total pension liability, ending (a)	<u>\$ 1,451,412</u>	<u>\$ 1,253,151</u>	<u>\$ 1,117,848</u>	<u>\$ 1,023,539</u>	<u>\$ 791,704</u>	<u>\$ 626,210</u>
Plan fiduciary net position						
Contributions - employer	\$ 136,000	\$ 115,001	\$ 108,522	\$ 121,564	\$ 57,800	\$ 60,070
Net investment income	27,989	24,118	26,692	8,062	12,771	9,280
Benefit payments, including refunds of employee contributions	(49,115)	(15,111)	(91,535)	---	---	(212,166)
Administrative expense	---	---	---	---	---	(2,593)
Net change in plan fiduciary net position	114,874	124,008	43,679	129,626	70,571	(145,409)
Plan fiduciary net position, beginning	567,868	443,860	400,181	270,555	199,984	345,393
Plan fiduciary net position, ending (b)	<u>\$ 682,742</u>	<u>\$ 567,868</u>	<u>\$ 443,860</u>	<u>\$ 400,181</u>	<u>\$ 270,555</u>	<u>\$ 199,984</u>
Net pension liability (a) - (b)	<u>\$ 768,670</u>	<u>\$ 685,283</u>	<u>\$ 673,988</u>	<u>\$ 623,358</u>	<u>\$ 521,149</u>	<u>\$ 426,226</u>
Plan fiduciary net position as a percentage of the total pension liability	47.04%	45.32%	39.71%	39.10%	34.17%	31.94%
Covered employee payroll	\$ 582,240	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Net pension liability as a percentage of covered employee payroll	132.02%	124.23%	122.90%	113.83%	98.85%	96.22%

See independent auditors' report.

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

SCHEDULE OF PENSION CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

BRTA Pension Plan
(see also Note 10)
Plan Year End June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 171,984	\$ 158,085	\$ 161,694	\$ 156,912	\$ 143,938	\$ 126,859
Contributions in relation to the actuarially determined contribution	<u>136,000</u>	<u>115,001</u>	<u>108,522</u>	<u>121,564</u>	<u>57,800</u>	<u>60,070</u>
Contribution deficiency (excess)	<u>\$ 35,984</u>	<u>\$ 43,084</u>	<u>\$ 53,172</u>	<u>\$ 35,348</u>	<u>\$ 86,138</u>	<u>\$ 66,789</u>
Covered employee payroll	\$ 582,240	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Contribution as a percentage of covered Employee payroll	23.36%	20.85%	19.79%	22.20%	10.96%	13.56%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2020.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method:	Market value of assets as of the measurement date
Inflation:	2.50% as of June 30, 2020 and for future periods
Salary increases:	2.00% annually as of June 30, 2020 and for future periods
Investment rate of return:	5.00%, net of pension plan investment expense, including inflation

Last 10 years: Only plan years 2015 to 2020 available

See independent auditors' report.

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

**COMPUTATION OF OPERATING ASSISTANCE
FROM THE FEDERAL TRANSIT ADMINISTRATION
UNDER 49 USC SECTIONS 5307, 5311 AND 5316**

SUPPLEMENTARY INFORMATION

For Years Ended June 30,

	2020	2019
Total operating expenses	\$ 16,427,450	\$ 17,391,925
Eliminate GASB adjustment for increase to pension expense	(12,720)	(21,043)
Interest expense	87,247	82,754
Total eligible expenses	<u>16,501,977</u>	<u>17,453,636</u>
Revenues applied to eligible expenses:		
Fixed route income	603,746	667,672
Demand response income	78,078	111,259
Brokerage service income	9,278,536	10,908,298
Other assistance	218,485	270,245
Advertising income	35,000	50,000
Rental income	55,533	56,319
Other income	65,372	73,116
Interest income	23,106	20,546
Total revenues applied to eligible expenses	<u>10,357,856</u>	<u>12,157,455</u>
Net operating expenses eligible under Sections 5307, 5311, and 5316	6,144,121	5,296,181
Less CARES Act funding received under Sections 5307 and 5311 for 100% of eligible operating expenses incurred during the period January 20, 2020 through June 30, 2020	<u>565,996</u>	<u>---</u>
Remaining operating expenses eligible under Sections 5307, 5311, and 5316 subject to 50% participation in eligible expenses	5,578,125	5,296,181
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,789,063</u>	<u>\$ 2,648,091</u>
Sections 5307, 5311, and 5316 operating assistance subject (amount of maximum funding above or less)	<u>\$ 1,558,192</u>	<u>\$ 1,794,828</u>

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

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

See independent auditors' report.

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

STATEMENT OF NET COST OF SERVICE

SUPPLEMENTARY INFORMATION

For the Years Ended June 30,

	Total Service Area 2020	Total Service Area 2019
Operating costs		
Administrative costs	\$ 761,332	\$ 686,752
Purchased services		
Fixed route service	5,450,330	4,780,664
Demand response service	966,381	1,022,004
Brokerage service	9,030,922	10,632,260
Other operating expenses	218,485	270,245
Debt service	87,247	82,754
Eliminate GASB adjustment for increase to pension expense	(12,720)	(21,043)
Total operating costs	<u>16,501,977</u>	<u>17,453,636</u>
Operating assistance and revenues		
Federal and other operating assistance	<u>2,681,803</u>	<u>2,065,073</u>
Revenues		
Local revenues		
Fixed route income	603,746	667,672
Demand response income	78,078	111,259
Brokerage service income	9,278,536	10,908,298
Advertising income	35,000	50,000
Rental income	55,533	56,319
Other income	65,372	73,116
Interest income	23,106	20,546
Total local revenues	<u>10,139,371</u>	<u>11,887,210</u>
Total operating assistance and revenues	<u>12,821,174</u>	<u>13,952,283</u>
Net operating deficit	3,680,803	3,501,353
Increase in reserve for extraordinary expenses	4,639	4,526
Net cost of service	<u>\$ 3,685,442</u>	<u>\$ 3,505,879</u>
Net cost of service funding		
Local assessments	\$ 974,698	\$ 950,925
State contract assistance	<u>2,710,744</u>	<u>2,554,954</u>
Total funding	<u>\$ 3,685,442</u>	<u>\$ 3,505,879</u>

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

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

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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
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

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 the Berkshire 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 the Berkshire Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Berkshire 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 the Berkshire Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Berkshire 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 the Berkshire 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 1, 2020