

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

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of
BERKSHIRE REGIONAL TRANSIT AUTHORITY
One Columbus Avenue, Suite 201
Pittsfield, MA 01201

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Berkshire Regional Transit Authority, as of and for the years ended June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Berkshire Regional Transit Authority, as of June 30, 2023 and 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Berkshire Regional Transit Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berkshire Regional Transit Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, MASSACHUSETTS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Berkshire Regional Transit Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Berkshire Regional Transit Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 5, the Schedule of Change in Net Pension Liability and Related Ratios on page 25 and the Schedule of Pension Contributions on page 26 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 opinion on the financial statements that collectively comprise the Berkshire Regional Transit Authority's basic financial statements. The accompanying supplementary information on pages 27 and 28 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 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 21, 2023 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 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 Berkshire Regional Transit 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 the Berkshire Regional Transit Authority's internal control over financial reporting and compliance.

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September 21, 2023

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, 2023

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2023 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).

Reporting Entity

The Authority provides public transportation and 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. See Note 1 to the financial statements for additional information on the reporting entity.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$11,535,771.
- The Authority's cost of operations were fully covered with operating revenues (fixed route and demand response income, advertising, rental and other miscellaneous income) and government support (federal, state, and local operating subsidies). See the Authority's net cost of service calculation on page 28 of the financial statements.

The Authority's total net position had a net decrease of \$(671,722) from fiscal year 2022, mainly due to contributed capital from the federal and state government for the acquisition of capital assets of \$696,678, current year non-reimbursable depreciation on capital assets of \$(1,429,765), an increase in the Authority's reserve of \$4,995 as allowed under M.G.L. 161B Section 6(q), and a decrease in the Authority's net pension liability and related deferred outflows and inflows of resources of \$(57,356) which are non-reimbursable items at this time.

- Operating revenues decreased \$(2,565) or 0.4% from fiscal year 2022. Brokerage income decreased by \$(43,798) and fixed route and demand response ridership resulted in a \$41,233 or 7.2% increase in revenue.
- Operating expenses increased \$736,967 or 9.2% from fiscal year 2022 mainly due to an increase in demand response expenses of \$420,018 due to increased wages, fuel prices and maintenance costs, an increase in fixed route service of \$29,879, a decrease in brokerage services costs of \$(32,131), an increase in administrative expenses of \$79,473 due to increased wages and benefits, and an increase in other operating expenses of \$239,728, which was funded with specific grants from the federal and state government.
- The Authority expended \$696,678 on capital assets, all of which was contributed by the federal and state government.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

- As travel continues to normalize, both Fixed Route and Demand Response ridership have increased from 2022, but overall ridership fluctuates between 90% and 95% of pre-Covid-19 levels.
- The Authority has received Federal CARES Act and other COVID related 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 has used the full award amount as of June 30, 2023.

The Federal CARES Act and other COVID related 5311 funds awarded to the Authority total \$1,010,468. The Authority has used the full award amounts as of June 30, 2023.

- 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 28 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
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

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

Summary of Net Position			
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>Change</u>
Total current assets	\$ 6,914,820	\$ 6,506,666	\$ 408,154
Leases receivable, long-term	-	66,640	(66,640)
Property and equipment, net	10,993,686	11,730,888	(737,202)
Deferred outflows related to pensions	393,430	408,816	(15,386)
Total assets and deferred outflows of resources	<u>18,301,936</u>	<u>18,713,010</u>	<u>(411,074)</u>
Accounts payable and other accrued liabilities	455,899	304,074	151,825
Note payable	5,350,000	5,100,000	250,000
Net pension liability	720,714	784,248	(63,534)
Deferred inflows of resources related to pensions	176,228	185,436	(9,208)
Deferred inflows of resources related to leases	63,324	131,759	(68,435)
Total liabilities and deferred inflows of resources	<u>6,766,165</u>	<u>6,505,517</u>	<u>260,648</u>
Investment in capital assets, net of related debt	10,993,686	11,730,888	(737,202)
Restricted			
Reserve	204,808	199,813	4,995
Working capital held by fixed route and paratransit operators	713,741	713,741	-
Unrestricted	<u>(376,464)</u>	<u>(436,949)</u>	<u>60,485</u>
Total net position	<u>\$ 11,535,771</u>	<u>\$ 12,207,493</u>	<u>\$ (671,722)</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>6/30/2023</u>	<u>6/30/2022</u>	<u>Change</u>
Restricted net position			
Accumulated reserve established under Massachusetts			
General Laws for extraordinary expenses	\$ 204,808	\$ 199,813	\$ 4,995
Working capital held by fixed route and paratransit operators	713,741	713,741	-
Total	<u>\$ 918,549</u>	<u>\$ 913,554</u>	<u>\$ 4,995</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

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>6/30/2023</u>	<u>6/30/2022</u>	<u>Change</u>
Total operating revenues	\$ 614,251	\$ 616,816	\$ (2,565)
Total operating expenses	<u>8,734,226</u>	<u>7,997,259</u>	<u>736,967</u>
Operating income (loss)	(8,119,975)	(7,380,443)	(739,532)
Total non-operating revenues (expenses)	<u>8,181,340</u>	<u>7,471,301</u>	<u>710,039</u>
Income (loss) before capital contributions and other items	61,365	90,858	(29,493)
Capital contributions	696,678	1,148,005	(451,327)
Nonreimbursable depreciation	(1,429,765)	(1,457,280)	27,515
Other nonreimbursable expenses	<u>-</u>	<u>(55,529)</u>	<u>55,529</u>
Change in net position	(671,722)	(273,946)	(397,776)
Net position, beginning	<u>12,207,493</u>	<u>12,481,439</u>	<u>(273,946)</u>
Net position, ending	<u>\$ 11,535,771</u>	<u>\$ 12,207,493</u>	<u>\$ (671,722)</u>

Operating revenues decreased \$(2,565) or 0.4% from the prior year. This net decrease is attributable to the ending of the brokerage service contract, resulting in a decrease in brokerage service income of \$(43,798), an increase in fixed route income of \$30,645, and an increase in demand response income of \$10,588.

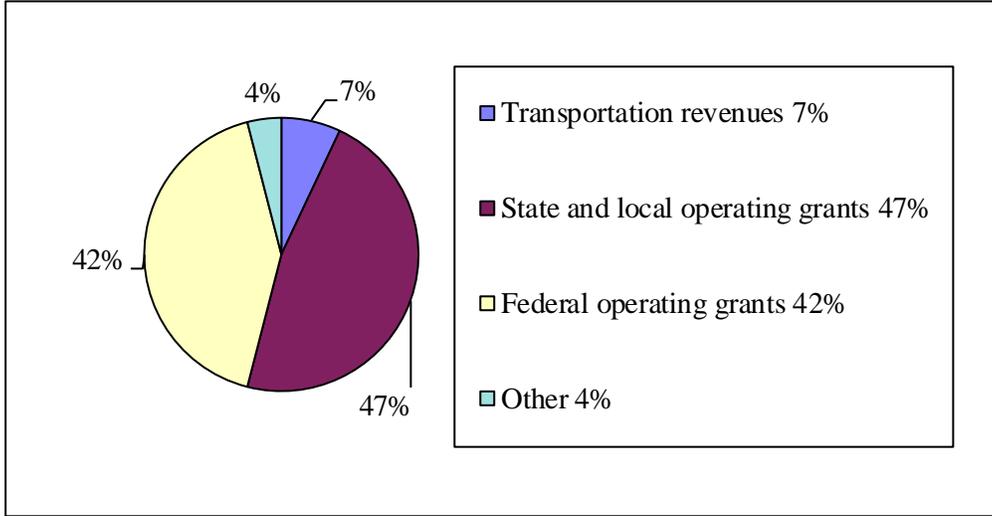
Operating expenses increased \$736,967 or 9.2% from the prior year. The net increase is attributable to an increase in fixed route service expenses of \$29,879 due to increased management and fuel prices; and demand response decreased \$420,018 due to increased wages, fuel prices and maintenance costs, an increase in other operating expenses of \$239,014 which were reimbursed with specific federal and state grants, and increase in administrative salaries, taxes, and fringe benefits of \$55,526 due to increased wages and benefits, and an increase in other administrative expenses of \$24,661.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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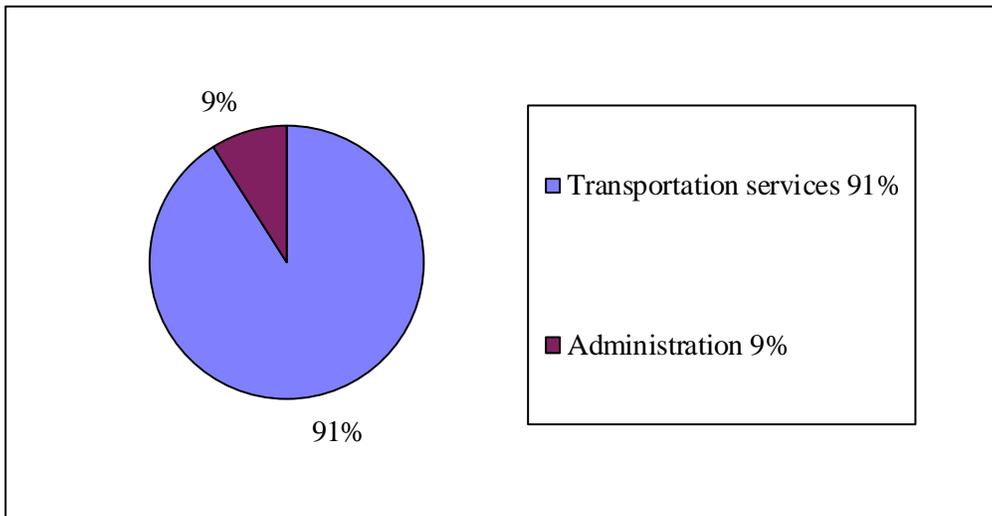
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

Total Operating and Non-operating
Revenues of \$8,936,332 by Source



Total Operating and Non-operating
Expenses of \$8,874,967 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

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

- Fixed route service income exceeded the budget by \$31,295 mainly due to increased trip volume. The fixed route service expense was under budget by \$799,318 due to a reduction in management and driver wages due to staff openings, reduced fringe benefit costs due to short-staffing levels.
- Demand response income exceeded the budget by \$10,260 primarily due to an increase in non-ADA trip volume. Demand response expense was over budget by \$311,614 primarily due to increased fuel and maintenance costs.
- Administrative salaries, taxes and fringe benefits were under budget by \$23,347 due to lower than expected medical insurance costs and a lower than expected distribution of pension costs.
- Administrative expenses were under budget \$6,833 due to a decrease in communication fees, lower utilities costs, and lower professional fees.

Capital Asset and Debt Administration

Capital assets

The Authority's net decrease in capital assets during the year ending June 30, 2023 was \$(737,202). The Authority primarily acquires its capital assets under federal and state capital grants. During fiscal year 2023, the Authority acquired revenue vehicles and made improvements to its facilities, which were all covered by capital grants. The details on capital assets totaling \$10,993,686, net of accumulated depreciation, are disclosed in Note 6 of the financial statements.

Revenue Anticipation Notes

At the end of fiscal year 2023, the Authority had a revenue anticipation note payable of \$5,350,000 maturing on July 25, 2023 at a rate of 2.68%. On July 25, 2023, the Authority issued a \$5,600,000 revenue anticipation note maturing on July 25, 2024 at a rate of 4.50%. The Authority repaid the \$5,350,000 note due July 25, 2023. This note provides cash flow until federal and state appropriations and local assessments are received.

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.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2023

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.

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,

	2023	2022
Assets and deferred outflows of resources		
Current assets		
Cash and equivalents	\$ 827,640	\$ 1,041,044
Receivables, net	5,289,729	4,656,446
Prepaid expenses	17,070	26,014
Working capital held by fixed route and paratransit operator	713,741	713,741
Leases receivable	66,640	69,421
Total current assets	6,914,820	6,506,666
Leases receivable, long-term	-	66,640
Property and equipment, net	10,993,686	11,730,888
Total assets	17,908,506	18,304,194
Deferred outflows of resources		
Deferred outflows related to pensions	393,430	408,816
Total assets and deferred outflows of resources	18,301,936	18,713,010
Liabilities and deferred inflows of resources		
Accounts payable	2,563	922
Accrued payroll and related liabilities	24,685	17,585
Unearned revenue	227,175	237,550
Accrued interest	201,476	48,017
Note payable	5,350,000	5,100,000
Net pension liability	720,714	784,248
Total liabilities	6,526,613	6,188,322
Deferred inflows of resources		
Deferred inflows related to leases receivable	63,324	131,759
Deferred inflows related to pensions	176,228	185,436
Total liabilities and deferred inflows of resources	6,766,165	6,505,517
Net position		
Invested in capital assets, net of related debt	10,993,686	11,730,888
Restricted		
Reserve	204,808	199,813
Working capital held by fixed route and paratransit operators	713,741	713,741
Unrestricted	(376,464)	(436,949)
Total net position	\$ 11,535,771	\$ 12,207,493

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, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 507,500	\$ 538,795	\$ 31,295
Demand response income	<u>65,196</u>	<u>75,456</u>	<u>10,260</u>
Total operating revenues	<u>572,696</u>	<u>614,251</u>	<u>41,555</u>
Operating expenses			
Fixed route service	6,909,115	6,109,797	799,318
Demand response service	1,268,584	1,580,198	(311,614)
Other operating expenses	345,031	345,031	-
Administrative salaries, taxes and fringe benefits	461,518	438,171	23,347
Administrative expenses	263,747	256,914	6,833
Reimbursable depreciation	<u>7,000</u>	<u>4,115</u>	<u>2,885</u>
Total operating expenses	<u>9,254,995</u>	<u>8,734,226</u>	<u>520,769</u>
Operating income (loss)	<u>(8,682,299)</u>	<u>(8,119,975)</u>	<u>562,324</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	3,185,751	1,878,299	(1,307,452)
Federal CARES and ARPA	1,145,854	1,846,309	700,455
Massachusetts	2,932,800	3,024,059	91,259
Member communities	1,049,644	1,049,644	-
Other federal and state assistance	345,031	345,031	-
Advertising income	37,759	37,759	-
Rental income	49,795	49,795	-
Other income	24,100	70,243	46,143
Interest income	13,565	20,942	7,377
Interest expense	<u>(102,000)</u>	<u>(140,741)</u>	<u>(38,741)</u>
Total non-operating revenues (expenses)	<u>8,682,299</u>	<u>8,181,340</u>	<u>(500,959)</u>
Income (loss) before capital contributions and other items	<u>\$ -</u>	61,365	<u>\$ 61,365</u>
Capital contributions		696,678	
Nonreimbursable depreciation		<u>(1,429,765)</u>	
Change in net position		(671,722)	
Net position, beginning		<u>12,207,493</u>	
Net position, ending		<u>\$ 11,535,771</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, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 487,965	\$ 508,150	\$ 20,185
Demand response income	45,310	64,868	19,558
Brokerage service income	43,829	43,798	(31)
Total operating revenues	577,104	616,816	39,712
Operating expenses			
Fixed route service	6,856,317	6,079,918	776,399
Demand response service	1,043,907	1,160,180	(116,273)
Brokerage service	24,729	32,131	(7,402)
Other operating expenses	105,303	105,303	-
Administrative salaries, taxes and fringe benefits	433,805	382,645	51,160
Administrative expenses	276,030	232,967	43,063
Reimbursable depreciation	5,000	4,115	885
Total operating expenses	8,745,091	7,997,259	747,832
Operating income (loss)	(8,167,987)	(7,380,443)	787,544
Non-operating revenues (expenses)			
Government operating assistance			
Federal	306,680	377,658	70,978
Federal CARES and ARPA	3,463,040	2,393,345	(1,069,695)
Massachusetts	3,213,903	3,428,804	214,901
Member communities	1,024,042	1,024,042	-
Other federal and state assistance	105,303	105,303	-
Advertising income	37,760	37,760	-
Rental income	41,095	49,795	8,700
Other income	24,100	58,415	34,315
Interest income	3,064	9,579	6,515
Interest expense	(51,000)	(13,400)	37,600
Total non-operating revenues (expenses)	8,167,987	7,471,301	(696,686)
Income (loss) before capital contributions and other items	\$ -	90,858	\$ 90,858
Capital contributions		1,148,005	
Nonreimbursable depreciation		(1,457,280)	
Other nonreimbursable expenses		(55,529)	
Change in net position		(273,946)	
Net position, beginning		12,481,439	
Net position, ending		\$ 12,207,493	

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,

	2023	2022
Cash flows from operating activities:		
Receipts from customers	\$ 670,149	\$ 1,753,022
Payments for goods and services	(8,132,947)	(8,132,918)
Payments to employees	(488,427)	(500,453)
Net cash provided (used) by operating activities	(7,951,225)	(6,880,349)
Cash flows from noncapital financing activities:		
Receipts of operating grants	7,327,814	7,366,564
Proceeds from issuing revenue anticipation notes	5,350,000	5,100,000
Repayments of revenue anticipation notes	(5,100,000)	(5,300,000)
Interest paid, net of premiums	12,718	(28,612)
Net cash provided (used) by noncapital financing activities	7,590,532	7,137,952
Cash flows from capital and related financing activities:		
Receipts of capital grants	823,025	1,110,672
Payments for capital acquisitions	(696,678)	(1,148,005)
Net cash provided (used) by capital and related financing activities	126,347	(37,333)
Cash flows from investing activities:		
Interest income	20,942	9,579
Net cash provided (used) by investing activities	20,942	9,579
Net increase (decrease) in cash and equivalents	(213,404)	229,849
Cash and equivalents, beginning	1,041,044	811,195
Cash and equivalents, ending	\$ 827,640	\$ 1,041,044
Reconciliation of operating income to net cash used by operating activities:		
Operating loss	\$ (8,119,975)	\$ (7,380,443)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	4,115	4,115
Advertising income	37,759	37,760
Rental income	49,795	49,795
Other income	70,243	58,415
Change in assets and liabilities:		
(Increase) decrease in receivables	55,898	1,136,206
(Increase) decrease in prepaid expenses	8,944	(14,751)
(Increase) decrease in working capital held by operator	-	60,000
(Increase) decrease in lease receivable	986	(4,302)
Increase (decrease) in accounts payable	1,641	(737,319)
Increase (decrease) in accrued payroll and related liabilities	7,100	(36,329)
Increase (decrease) in unearned revenue	(10,375)	27,983
Increase (decrease) in net pension liability	(57,356)	(81,479)
Net cash used by operating activities	\$ (7,951,225)	\$ (6,880,349)

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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, Hancock, Hinsdale, Lanesborough, Lee, Lenox, Monterey, Mt. Washington, New Ashford, Otis, Peru, Richmond, Savoy, 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, 2023 and 2022, the Authority's reserve balance was \$204,808 and \$199,813, 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/May, 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.

Lease Receivable

The Authority has recorded long-term lease receivables as a result of implementing GASB Statement No. 87, *Leases*. The long-term lease receivables are initially measured at the present value of lease payments to be received during the lease term, reduced by any provision for estimated uncollectible amounts.

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.

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 21, 2023, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority has a contract with Berkshire Transit Management, Inc. (BTM), a wholly-owned subsidiary of First Transit, Inc. to perform fixed route and paratransit management, operations, and maintenance services. The current contract expires on June 30, 2024.

Approximately eighty percent (80%) of BTM employees are members of the International Brotherhood of Teamsters, Local 404 (the Union). BTM's current labor agreement expires on June 30, 2024.

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, 2023, were \$1,014,304. Uninsured bank deposits as of June 30, 2023, were \$-0-.

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

	<u>2023</u>	<u>2022</u>
Federal		
Operating assistance	\$ 1,593,058	\$ 389,218
Operating assistance - Federal CARES and ARPA	<u>1,744,462</u>	<u>2,244,436</u>
Total federal	<u>3,337,520</u>	<u>2,633,654</u>
Massachusetts		
Operating assistance	8,063	-
Capital assistance	<u>29,323</u>	<u>155,670</u>
Total Massachusetts	<u>37,386</u>	<u>155,670</u>
Member communities		
Operating assistance for current year expenditures	1,049,644	1,024,042
Operating assistance for prior year expenditures	<u>382,027</u>	<u>304,030</u>
Total member communities	<u>1,431,671</u>	<u>1,328,072</u>
Other receivables	<u>483,152</u>	<u>539,050</u>
Total receivables	<u>\$ 5,289,729</u>	<u>\$ 4,656,446</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.

The Authority has received Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding under Sections 5307 and 5311 to cover eligible operating expenses. The funding covers 100% of eligible expenses.

The Authority has received Federal American Rescue Plan Act (ARPA) funding under Section 5311 to cover eligible operating expenses. The funding covers 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 and paratransit 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 for each of the years ending June 30, 2023 and 2022 was \$713,741, and is reported as working capital held by the fixed route operator in the Authority's financial statements.

Paratransit Management of the Berkshires, Inc. (PMB) was the paratransit operator for the Authority. As of December 31, 2021, PMB has ceased operations and merged with BTM. All assets and liabilities held by PMB have been returned to the Authority as of June 30, 2022. The value of these assets less liabilities held by PMB for each of the years ending June 30, 2023 and 2022 was \$-0-.

Total working capital held by BTM and PMB for each of the years ending June 30, 2023 and 2022 was \$713,741.

NOTE 5 - LEASES

The Authority, as lessor, has entered into various agreements for advertising and office space with lease terms expiring in 2024.

The Authority adopted GASB Statement No. 87, *Leases*, in fiscal year 2022. In accordance with GASB 87, a lease is a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The Authority determines whether a contract conveys control of the right to use the underlying asset by assessing both of the following: 1) the right to obtain the present service capacity from use of the underlying asset as specified in the contract, and 2) the right to determine the nature and manner of use of the underlying asset as specified in the contract.

The Authority, as a lessor, recognizes lease receivables at the present value of lease payments anticipated to be received at or before the commencement of the lease term that relate to future periods. The Authority assesses each lease receivable annually for changes in the terms of the lease, interest rate, impairment of the underlying leased asset, or other factors that may impact the expected lease payments. Lease revenue is recorded systematically over the term of the lease, with a corresponding reduction of the deferred inflow. The Authority calculates the amortization of the discount on each lease receivable in subsequent financial reporting periods, and reports that amount as interest revenue.

As of June 30, 2023 and 2022, the Authority does not have any contracts or agreements as lessee.

Leases receivable consist of the following:

Advertising (Embedded) Lease Income

The Authority has entered into an agreement with a third party, which has the exclusive right to sell, install, maintain, and place advertisements on and inside the Authority's buses, for a term of three years, beginning July 1, 2019 with up to two additional option years which were exercised. The minimum annual guaranteed advertising income is approximately \$40,000. An initial lease receivable was recorded in the amount of \$113,729. For the year ended June 30, 2023 and 2022, the value of the lease receivable was \$39,147 and \$76,761, respectively. The lease has an interest rate of 4.00%. The value of the deferred inflow of resources for the year ended June 30, 2023 and 2022 was \$37,760 and \$75,519, respectively. The Authority recognized advertising lease income of \$37,759 and \$37,760 for the fiscal years ended June 30, 2023 and 2022, respectively.

NOTE 5 - (Continued)*Rental Income*

The Authority has entered into an agreement with a third party to lease office space within the Authority's Intermodal Center through April 2024, with an option to renew for an additional term of two years. Monthly rental income is \$2,800. An initial lease receivable was recorded in the amount of \$87,206. For the year ended June 30, 2023 and 2022, the value of the lease receivable was \$27,493 and \$59,300, respectively. The lease has an interest rate of 4.00%. The value of the deferred inflow of resources for the year ended June 30, 2023 and 2022 was \$25,564 and \$56,240, respectively. The Authority recognized rental income in the amount of \$30,676 for the each of the fiscal years ended June 30, 2023 and 2022.

Leases receivable consist of the following at June 30:

	2023			
	Beginning Balance	Increases	Decreases	Ending Balance
Advertising space	\$ 76,761	\$ -	\$ (37,614)	\$ 39,147
Rental space	59,300	-	(31,807)	27,493
Leases receivable	<u>\$ 136,061</u>	<u>\$ -</u>	<u>\$ (69,421)</u>	<u>\$ 66,640</u>

	2022			
	Beginning Balance	Increases	Decreases	Ending Balance
Advertising space	\$ 113,279	\$ -	\$ (36,518)	\$ 76,761
Rental space	87,206	-	(27,906)	59,300
Leases receivable	<u>\$ 200,485</u>	<u>\$ -</u>	<u>\$ (64,424)</u>	<u>\$ 136,061</u>

Future minimum lease payments to be received are as follows:

Fiscal Year Ending June 30,	Advertising Income		Rental Income		Total Receipts
	Principal Receipts	Interest Receipts	Principal Receipts	Interest Receipts	
2024	<u>\$ 39,147</u>	<u>\$ 853</u>	<u>\$ 27,493</u>	<u>\$ 507</u>	<u>\$ 68,000</u>

Other short-term leases

The Authority has entered into multiple short-term (month-to-month) agreements to lease office space within the Authority's Intermodal Center. Total lease income was \$19,119 for each of the fiscal years ended June 30, 2023 and 2022.

NOTE 7 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

	<u>2023</u>	<u>2022</u>
2.68% Revenue anticipation note due July 25, 2023	\$ 5,350,000	\$ -
1.00% Revenue anticipation note due July 27, 2022	<u>-</u>	<u>5,100,000</u>
Total	<u>\$ 5,350,000</u>	<u>\$ 5,100,000</u>

On July 25, 2023, the Authority issued a \$5,600,000 revenue anticipation note maturing on July 25, 2024 at a rate of 4.50%. The Authority repaid the \$5,350,000 note due July 25, 2023.

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 8 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	<u>2023</u>				
	<u>Invested in capital assets, net of debt</u>	<u>Restricted Reserve</u>	<u>Restricted Working Capital Held by Operators</u>	<u>Unrestricted</u>	<u>Total</u>
Net income (loss)	\$ -	\$ -	\$ -	\$ 61,365	\$ 61,365
Reimbursable depreciation	(4,115)	-	-	4,115	-
Nonreimbursable depreciation	(1,429,765)	-	-	-	(1,429,765)
Capital contributions	696,678	-	-	-	696,678
Increase in reserve for extraordinary expenses	<u>-</u>	<u>4,995</u>	<u>-</u>	<u>(4,995)</u>	<u>-</u>
Increase (decrease) in net position	(737,202)	4,995	-	60,485	(671,722)
Net position, beginning	<u>11,730,888</u>	<u>199,813</u>	<u>713,741</u>	<u>(436,949)</u>	<u>12,207,493</u>
Net position, ending	<u>\$ 10,993,686</u>	<u>\$ 204,808</u>	<u>\$ 713,741</u>	<u>\$ (376,464)</u>	<u>\$ 11,535,771</u>
	<u>2022</u>				
	<u>Invested in capital assets, net of debt</u>	<u>Restricted Reserve</u>	<u>Restricted Working Capital Held by Operators</u>	<u>Unrestricted</u>	<u>Total</u>
Net income (loss)	\$ -	\$ -	\$ -	\$ 90,858	\$ 90,858
Reimbursable depreciation	(4,115)	-	-	4,115	-
Nonreimbursable depreciation	(1,457,280)	-	-	-	(1,457,280)
Capital contributions	1,148,005	-	-	-	1,148,005
Other changes	(55,529)	-	-	-	(55,529)
Increase in reserve for extraordinary expenses	<u>-</u>	<u>4,873</u>	<u>-</u>	<u>(4,873)</u>	<u>-</u>
Decrease in working capital held by operators	<u>-</u>	<u>-</u>	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>
Increase (decrease) in net position	(368,919)	4,873	(60,000)	150,100	(273,946)
Net position, beginning	<u>12,099,807</u>	<u>194,940</u>	<u>773,741</u>	<u>(587,049)</u>	<u>12,481,439</u>
Net position, ending	<u>\$ 11,730,888</u>	<u>\$ 199,813</u>	<u>\$ 713,741</u>	<u>\$ (436,949)</u>	<u>\$ 12,207,493</u>

NOTE 9 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2023:

- A. Fixed route service is provided by Berkshire Transit Management, Inc. to the communities of Adams, Cheshire, Dalton, Great Barrington, Hancock, 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 \$294,264.
- B. Berkshire Transit Management provided 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 or electronic online payments made through RMPay software. 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.
- C. Council on Aging (COA) organizations and other private transportation agencies provide paratransit service to qualified persons with disabilities as well as the elderly and disabled.
- D. As of July 1, 2021, the Authority is no longer a contractor for the Department of Health Services Transportation (HST). During fiscal year 2022, the Authority received HST contract revenue of \$43,798 to close out the service. The close out was completed by August 31, 2021.

NOTE 10 - 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, 2023 with a measurement date of June 30, 2023.

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:

	2023	2022
Active plan members	6	6
Inactive plan members entitled to but not yet receiving benefits	-	-
Total	6	6

NOTE 10 - (Continued)

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.

Payable to Pension Plan

At June 30, 2023 and 2022, the Authority reported a payable of \$-0- for the outstanding amount of contributions to the pension plan.

Actuarial Assumptions

The total pension liability in the June 30, 2023 and 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00% and for future periods
Salary increases	2.00% annually and for future periods
Investment rate of return	4.00% (4.00% at June 30, 2022), net of pension plan investment expense including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2023 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 2023 and 2022 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.

NOTE 10 - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	3.00%	4.50%
International equity	0.00%	5.50%
Fixed income	97.00%	2.00%
Real estate	0.00%	4.00%
Cash	0.00%	1.00%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability for 2023 was 4.00% (4.00% for 2022). 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.

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, 2022	<u>\$ 1,443,202</u>	<u>\$ 658,954</u>	<u>\$ 784,248</u>
Changes for the year:			
Service cost	72,477	-	72,477
Interest	60,627	-	60,627
Changes in benefit terms	-	-	-
Changes of assumptions	7,527	-	7,527
Differences between actual and expected experience	45,205	-	45,205
Contributions - employer	-	200,000	(200,000)
Net investment income	-	49,370	(49,370)
Benefit payments, including refunds of contributions	-	-	-
Administrative expense	-	-	-
Net changes	<u>185,836</u>	<u>249,370</u>	<u>(63,534)</u>
Balances at June 30, 2023	<u>\$ 1,629,038</u>	<u>\$ 908,324</u>	<u>\$ 720,714</u>

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, 2021	\$ 1,788,339	\$ 888,214	\$ 900,125
Changes for the year:			
Service cost	71,027	-	71,027
Interest	82,666	-	82,666
Changes in benefit terms	-	-	-
Changes of assumptions	5,639	-	5,639
Differences between actual and expected experience	(89,923)	-	(89,923)
Contributions - employer	-	238,664	(238,664)
Net investment income	-	(53,378)	53,378
Benefit payments, including refunds of contributions	(414,546)	(414,546)	-
Administrative expense	-	-	-
Net changes	<u>(345,137)</u>	<u>(229,260)</u>	<u>(115,877)</u>
Balances at June 30, 2022	<u>\$ 1,443,202</u>	<u>\$ 658,954</u>	<u>\$ 784,248</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 4.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (3.00%)	Current Discount (4.00%)	1% Increase (5.00%)
	Plan net pension liability as of June 30, 2023	\$ 893,118	\$ 720,714
Plan net pension liability as of June 30, 2022	\$ 1,072,067	\$ 784,248	\$ 708,148

NOTE 10 - (Continued)**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2023, the Transit Authority recognized pension expense of \$142,644; contribution of \$200,000 paid into the Plan, less the reduction in net pension liability of \$57,356 (pension expense was \$122,434 for the year ended June 30, 2022). At June 30, 2023 and 2022, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,865	\$ 152,850	\$ 141,702	\$ 175,373
Changes in assumptions	171,815	5,234	197,655	5,662
Net difference between projected and actual earnings on pension plan investments	<u>51,750</u>	<u>18,144</u>	<u>69,459</u>	<u>4,401</u>
Total	<u>\$ 393,430</u>	<u>\$ 176,228</u>	<u>\$ 408,816</u>	<u>\$ 185,436</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:

	<u>2023</u>	<u>2022</u>
Year ended June 30:		
2023	\$ -	\$ 36,755
2024	39,784	36,641
2025	39,267	36,125
2026	40,733	37,590
2027	23,655	20,514
2028	15,501	12,360
Thereafter	<u>58,262</u>	<u>43,395</u>
Total	<u>\$ 217,202</u>	<u>\$ 223,380</u>

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2024 budget*

For the fiscal year 2024, the Authority has approved an operating budget of \$9,713,079, 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 AND OTHER COVID RELATED FUNDING

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:

Federal CARES Act and COVID Related Funding	Performance Period	Total Contract Amount	Funds Spent through Fiscal Year 2022	Funds Spent in Fiscal Year 2023	Remaining Contract Amount
Federal Section 5307	1/20/2020 until spent	\$ 5,678,543	\$ 3,934,082	\$ 1,744,461	\$ -
Passed Through Massachusetts Department of Transportation					
Federal Section 5311	1/20/2020 to 9/30/2021	908,620	908,620	-	-
Federal Section 5311	7/1/2021 to 6/30/2023	101,848	-	101,848	-
Total		<u>\$ 6,689,011</u>	<u>\$ 4,842,702</u>	<u>\$ 1,846,309</u>	<u>\$ -</u>

NOTE 13 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Authority reviewed all software and information technology contracts and agreements and determined none met the criteria for reporting as a SBITA under this statement. This statement had no impact on the Authority's financial reporting.

NOTE 13 - (Continued)

The GASB issued Statement No. 99, *Omnibus 2022*, for implementation in fiscal year 2023 and 2024. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, for implementation in fiscal year 2023. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement had no impact on the Authority's financial reporting.

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, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability									
Service cost	\$ 72,477	\$ 71,027	\$ 91,955	\$ 101,455	\$ 95,207	\$ 99,853	\$ 99,716	\$ 96,120	\$ 87,751
Interest	60,627	82,666	77,168	68,958	61,031	58,458	44,571	36,117	48,941
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Changes of assumptions	7,527	5,639	216,168	(1,653)	(5,620)	44,668	2,129	1,716	-
Differences between expected and actual experience	45,205	(89,923)	(48,364)	78,616	(204)	(17,135)	85,419	31,541	(83,295)
Benefit payment, including refunds of employee contributions	-	(414,546)	-	(49,115)	(15,111)	(91,535)	-	-	(212,166)
Net change in total pension liability	185,836	(345,137)	336,927	198,261	135,303	94,309	231,835	165,494	(158,769)
Total pension liability, beginning	1,443,202	1,788,339	1,451,412	1,253,151	1,117,848	1,023,539	791,704	626,210	784,979
Total pension liability, ending (a)	\$ 1,629,038	\$ 1,443,202	\$ 1,788,339	\$ 1,451,412	\$ 1,253,151	\$ 1,117,848	\$ 1,023,539	\$ 791,704	\$ 626,210
Plan fiduciary net position									
Contributions - employer	\$ 200,000	\$ 238,664	\$ 160,000	\$ 136,000	\$ 115,001	\$ 108,522	\$ 121,564	\$ 57,800	\$ 60,070
Net investment income	49,370	(53,378)	45,472	27,989	24,118	26,692	8,062	12,771	9,280
Benefit payments, including refunds of employee contributions	-	(414,546)	-	(49,115)	(15,111)	(91,535)	-	-	(212,166)
Administrative expense	-	-	-	-	-	-	-	-	(2,593)
Net change in plan fiduciary net position	249,370	(229,260)	205,472	114,874	124,008	43,679	129,626	70,571	(145,409)
Plan fiduciary net position, beginning	658,954	888,214	682,742	567,868	443,860	400,181	270,555	199,984	345,393
Plan fiduciary net position, ending (b)	\$ 908,324	\$ 658,954	\$ 888,214	\$ 682,742	\$ 567,868	\$ 443,860	\$ 400,181	\$ 270,555	\$ 199,984
Net pension liability (a) - (b)	\$ 720,714	\$ 784,248	\$ 900,125	\$ 768,670	\$ 685,283	\$ 673,988	\$ 623,358	\$ 521,149	\$ 426,226
Plan fiduciary net position as a percentage of the total pension liability	55.76%	45.66%	49.67%	47.04%	45.32%	39.71%	39.10%	34.17%	31.94%
Covered employee payroll	\$ 410,798	\$ 391,095	\$ 390,160	\$ 582,240	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Net pension liability as a percentage of covered employee payroll	175.44%	200.53%	230.71%	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, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 157,917	\$ 163,999	\$ 198,664	\$ 171,984	\$ 158,085	\$ 161,694	\$ 156,912	\$ 143,938	\$ 126,859
Contributions in relation to the actuarially determined contribution	<u>200,000</u>	<u>238,664</u>	<u>160,000</u>	<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>\$ (42,083)</u>	<u>\$ (74,665)</u>	<u>\$ 38,664</u>	<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	\$ 410,798	\$ 391,095	\$ 390,160	\$ 582,240	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Contribution as a percentage of covered Employee payroll	48.69%	61.02%	41.01%	23.36%	20.85%	19.79%	22.20%	10.96%	13.56%

Notes to Schedule

Actuarially determined contribution rates are calculated as of June 30, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	10 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	10 years. Fresh start method with amortization remaining unfunded amortized each year
Asset valuation method:	Market value of assets as of the measurement date
Inflation:	2.00% as of June 30, 2022 and for future periods
Salary increases:	2.00% annually as of June 30, 2022 and for future periods
Investment rate of return:	4.00%, net of pension plan investment expense, including inflation

Last 10 years: Only plan years 2015 to 2023 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 AND 5311

SUPPLEMENTARY INFORMATION

For Years Ended June 30,

	2023	2022
Total operating expenses	\$ 8,734,226	\$ 7,997,259
Eliminate GASB adjustment for change in net pension liability	57,356	81,479
Eliminate GASB adjustment for change in leases receivable	(986)	4,506
Interest expense	140,741	13,400
Total eligible expenses	8,931,337	8,096,644
Revenues applied to eligible expenses:		
Fixed route income	538,795	508,150
Demand response income	75,456	64,868
Brokerage service income	-	43,798
Other assistance	345,031	105,303
Advertising income	37,759	37,760
Rental income	49,795	49,795
Other income	70,243	58,415
Interest income	20,942	9,579
Total revenues applied to eligible expenses	1,138,021	877,668
Net operating expenses eligible under Sections 5307 and 5311	7,793,316	7,218,976
Less CARES and COVID related funding received under Sections 5307 and 5311 for 100% of eligible operating expenses	1,846,309	2,393,345
Remaining operating expenses eligible under Sections 5307 and 5311 subject to 50% participation in eligible expenses	5,947,007	4,825,631
Federal participation in eligible expenses	x 50%	x 50%
Maximum federal operating assistance allowed	\$ 2,973,504	\$ 2,412,816
Sections 5307 and 5311 operating assistance subject (amount of maximum funding above or less)	\$ 1,878,299	\$ 377,658

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
- GASB adjustment for the change in the Authority's long-term leases receivable

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,

	<u>Total Service Area 2023</u>	<u>Total Service Area 2022</u>
Operating costs		
Administrative costs	\$ 699,200	\$ 619,727
Purchased services		
Fixed route service	6,109,797	6,079,918
Demand response service	1,580,198	1,160,180
Brokerage service	-	32,131
Other operating expenses	345,031	105,303
Debt service	140,741	13,400
Eliminate GASB adjustment for change in net pension liability	57,356	81,479
Eliminate GASB adjustment for change in leases receivable	(986)	4,506
Total operating costs	<u>8,931,337</u>	<u>8,096,644</u>
Operating assistance and revenues		
Federal and other operating assistance	<u>4,074,524</u>	<u>3,375,809</u>
Revenues		
Local revenues		
Fixed route income	538,795	508,150
Demand response income	75,456	64,868
Brokerage service income	-	43,798
Advertising income	37,759	37,760
Rental income	49,795	49,795
Other income	70,243	58,415
Interest income	20,942	9,579
Total local revenues	<u>792,990</u>	<u>772,365</u>
Total operating assistance and revenues	<u>4,867,514</u>	<u>4,148,174</u>
Net operating deficit	4,063,823	3,948,470
Increase in reserve for extraordinary expenses	4,995	4,873
Net cost of service	<u>\$ 4,068,818</u>	<u>\$ 3,953,343</u>
Net cost of service funding		
Local assessments	\$ 1,049,644	\$ 1,024,042
State contract assistance	<u>3,019,174</u>	<u>2,929,301</u>
Total funding	<u>\$ 4,068,818</u>	<u>\$ 3,953,343</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
- GASB adjustment for the change in the Authority's long-term leases receivable

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

We have audited, 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, the financial statements of the business-type activities of the Berkshire Regional Transit Authority as of and for the year ended June 30, 2023, 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 21, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 21, 2023