

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

Financial Statements and
Supplementary Information

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
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 accompanying financial statements of the business-type activities of Berkshire Regional Transit Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Berkshire Regional Transit Authority's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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.

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 generally accepted auditing standards 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 generally accepted auditing standards 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 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 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, 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 an opinion on the financial statements that collectively comprise 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 is 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.

Emphasis of Matter

As discussed in Note 5 of the financial statements, the Authority adopted the provisions of GASB Statement No. 87, *Leases*. The financial statements have been retroactively restated for these changes. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2022, 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 Berkshire Regional Transit Authority's internal control over financial reporting and compliance.

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September 8, 2022

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, 2022

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2022 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).

Adoption of New Accounting Standard

The Authority adopted GASB Statement No. 87, *Leases*, in fiscal year 2022 with a conversion date of July 1, 2020. The details of this note and its impact on the Authority's financial reporting are disclosed in Note 5 and 14.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$12,207,493.
- The Authority's total net position had a net decrease of \$(273,946) from fiscal year 2021, mainly due to contributed capital assets of \$1,148,005, current year non-reimbursable depreciation on capital assets of \$(1,457,280), an increase in the Authority's reserve of \$4,873 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 \$(81,479).
- Operating revenues decreased \$(8,000,248) or 80.3% from fiscal year 2021 due to the ending of the contract with the Massachusetts department of Human Services Transportation (HST) as of June 30, 2021. Brokerage income decreased by \$(8,060,705). Fixed route and demand response ridership resulted in a \$60,457 increase in revenue (11.7%).
- Operating expenses decreased \$(7,628,688) or 46.4% from fiscal year 2021 mainly due to the ending of the contract for HST, resulting in a decrease in brokerage services of \$(7,901,010), an increase in fixed route expenses of \$95,343 due to increased management and fuel prices, an increase in demand response expenses of \$244,570 due to increased wages, fuel prices and maintenance costs, and a decrease in other administrative expenses of \$(67,591) due to a decrease in COVID-19 related wages, and a decrease in general operating expenses.
- The Authority expended \$1,148,005 on capital assets, all of which was contributed by the federal and state government.
- As travel continues to normalize, both Fixed Route and Demand Response ridership have increased from 2021, but overall ridership fluctuates between 90% and 95% of pre-Covid-19 levels.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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For the Fiscal Year Ended June 30, 2022

- The Authority has 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 \$3,934,082 of this 5307 funding as of June 30, 2022.

The Federal CARES Act 5311 funds awarded to the Authority total \$908,620. The Authority has used the full \$908,620 as of June 30, 2022.

- 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 27 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, 2022

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

Summary of Net Position			
	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change</u>
Total current assets	\$ 6,506,666	\$ 7,453,064	\$ (946,398)
Leases receivable, long-term	66,640	136,351	(69,711)
Property and equipment, net	11,730,888	12,099,807	(368,919)
Deferred outflows related to pensions	<u>408,816</u>	<u>378,959</u>	<u>29,857</u>
Total assets and deferred outflows of resources	<u>18,713,010</u>	<u>20,068,181</u>	<u>(1,355,171)</u>
Accounts payable and other accrued liabilities	304,074	1,064,951	(760,877)
Note payable	5,100,000	5,300,000	(200,000)
Net pension liability	784,248	900,125	(115,877)
Deferred inflows of resources related to pensions	185,436	121,181	64,255
Deferred inflows of resources related to leases	<u>131,759</u>	<u>200,485</u>	<u>(68,726)</u>
Total liabilities and deferred inflows of resources	<u>6,505,517</u>	<u>7,586,742</u>	<u>(1,081,225)</u>
Investment in capital assets, net of related debt	11,730,888	12,099,807	(368,919)
Restricted			
Reserve	199,813	194,940	4,873
Working capital held by fixed route and paratransit operators	713,741	773,741	(60,000)
Unrestricted	<u>(436,949)</u>	<u>(587,049)</u>	<u>150,100</u>
Total net position	<u>\$ 12,207,493</u>	<u>\$ 12,481,439</u>	<u>\$ (273,946)</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>6/30/2022</u>	<u>6/30/2021</u>	<u>Change</u>
Restricted net position			
Accumulated reserve established under Massachusetts			
General Laws for extraordinary expenses	\$ 199,813	\$ 194,940	\$ 4,873
Working capital held by fixed route and paratransit operators	<u>713,741</u>	<u>773,741</u>	<u>(60,000)</u>
Total	<u>\$ 913,554</u>	<u>\$ 968,681</u>	<u>\$ (55,127)</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

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>6/30/2022</u>	<u>6/30/2021</u>	<u>Change</u>
Total operating revenues	\$ 616,816	\$ 8,617,064	\$ (8,000,248)
Total operating expenses	<u>7,997,259</u>	<u>15,625,947</u>	<u>(7,628,688)</u>
Operating income (loss)	(7,380,443)	(7,008,883)	(371,560)
 Total non-operating revenues (expenses)	 <u>7,471,301</u>	 <u>7,012,517</u>	 <u>458,784</u>
 Income (loss) before capital contributions and other items	 90,858	 3,634	 87,224
 Capital contributions	 1,148,005	 1,045,022	 102,983
Nonreimbursable depreciation	(1,457,280)	(1,462,649)	5,369
Other nonreimbursable expenses	<u>(55,529)</u>	<u>-</u>	<u>(55,529)</u>
 Change in net position	 (273,946)	 (413,993)	 140,047
 Net position, beginning	 <u>12,481,439</u>	 <u>12,895,432</u>	 <u>(413,993)</u>
 Net position, ending	 <u>\$ 12,207,493</u>	 <u>\$ 12,481,439</u>	 <u>\$ (273,946)</u>

Operating revenues decreased \$(8,000,248) or 80% 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 \$(8,060,705), an increase in fixed route income of \$42,310, and an increase in demand response income of \$18,147.

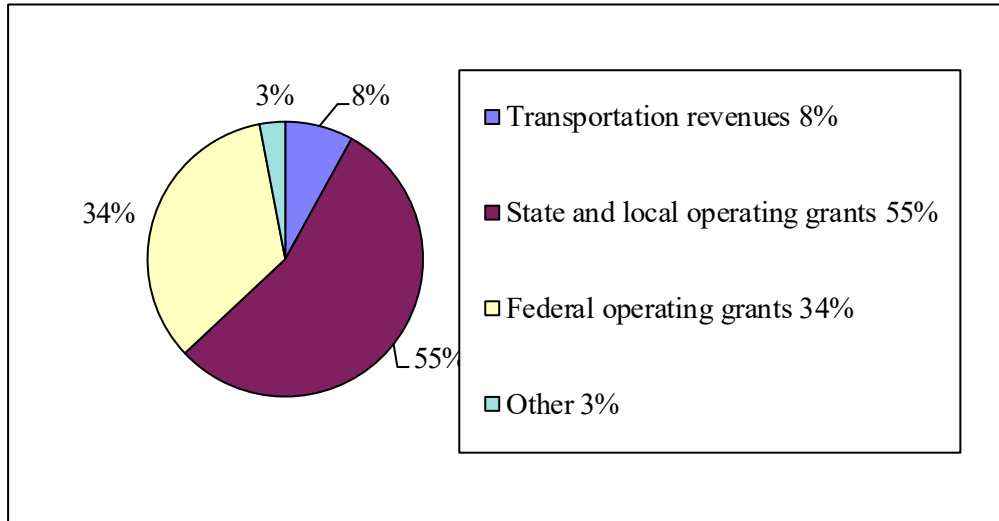
Operating expenses decreased \$(7,628,688) or 46.4% from the prior year. The net decrease is attributable to a decrease in brokerage service expenses of \$(7,901,010); an increase in fixed route service expenses of \$95,343 due to increased management and fuel prices; and demand response decreased \$244,570 due to increased wages, fuel prices and maintenance costs, and a decrease in other administrative expenses of \$(67,591) due to a decrease in COVID-19 related wages, and a decrease in general operating expenses.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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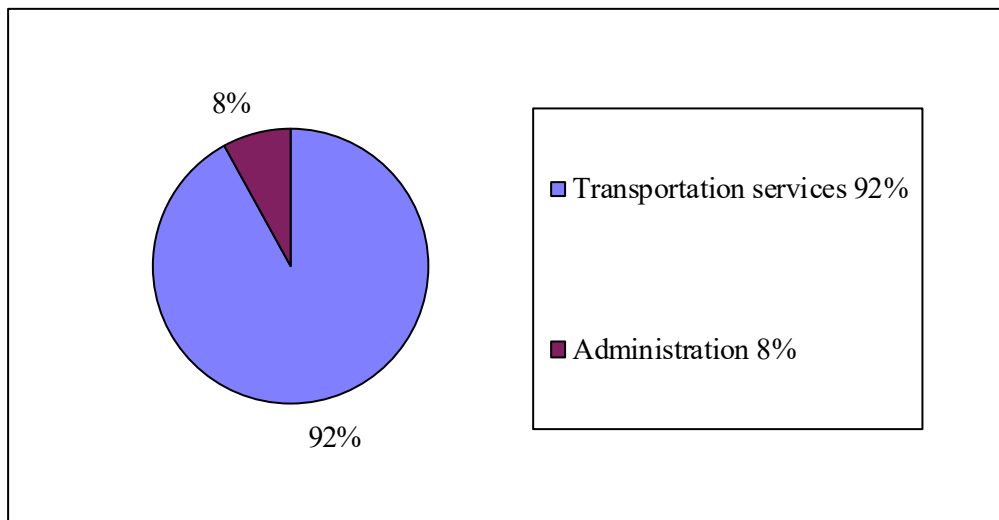
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

Total Operating and Non-operating
Revenues of \$8,101,517 by Source



Total Operating and Non-operating
Expenses of \$8,010,659 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

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 \$20,185 mainly due to increased trip volume. The fixed route service expense was under budget by \$776,399 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 \$19,558 primarily due to an increase in premium trip volume. Demand response expense was over budget by \$116,273 primarily due to increased fuel and maintenance costs.
- Administrative salaries, taxes and fringe benefits were under budget by \$51,160 due to lower than expected medical insurance costs and a lower than expected distribution of pension costs.
- Administrative expenses were under budget \$43,063 due to a decrease in communication fees, inability to travel and complete training, 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, 2022 was \$(368,919). The Authority primarily acquires its capital assets under federal and state capital grants. During fiscal year 2022, the Authority acquired revenue vehicles and made improvements to its facilities, which were all covered by capital grants. The details on capital assets totaling \$11,730,888, net of accumulated depreciation, are disclosed in Note 6 of the financial statements.

Revenue Anticipation Notes

At the end of fiscal year 2022, the Authority had a revenue anticipation note payable of \$5,100,000 maturing on July 27, 2021 at a rate of 1.00%. On July 25, 2022, the Authority issued a \$5,350,000 revenue anticipation note maturing on July 25, 2023 at a rate of 2.68%. The Authority repaid the \$5,100,000 revenue anticipation note due July 27, 2022. This note provides cash flow until federal and state appropriations are received.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2022

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, 2022, the Commonwealth of Massachusetts has not yet provided a final contract. The Authority has budgeted conservatively at the lowest proposed funding level. Should the final state contract have a higher funding level, the Authority contract would be higher and less federal operating funds would be necessary for a balanced budget.

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>2022</u>	<u>2021</u>
Assets and deferred outflows of resources		
Current assets		
Cash and equivalents	\$ 1,041,044	\$ 811,195
Receivables, net	4,656,446	5,792,731
Prepaid expenses	26,014	11,263
Working capital held by fixed route and paratransit operator	713,741	773,741
Leases receivable	<u>69,421</u>	<u>64,424</u>
Total current assets	6,506,666	7,453,354
Leases receivable, long-term	66,640	136,061
Property and equipment, net	<u>11,730,888</u>	<u>12,099,807</u>
Total assets	18,304,194	19,689,222
Deferred outflows of resources		
Deferred outflows related to pensions	<u>408,816</u>	<u>378,959</u>
Total assets and deferred outflows of resources	<u>18,713,010</u>	<u>20,068,181</u>
Liabilities and deferred inflows of resources		
Accounts payable	922	738,241
Accrued payroll and related liabilities	17,585	53,914
Unearned revenue	237,550	209,567
Accrued interest	48,017	63,229
Note payable	5,100,000	5,300,000
Net pension liability	<u>784,248</u>	<u>900,125</u>
Total liabilities	6,188,322	7,265,076
Deferred inflows of resources		
Deferred inflows related to leases receivable	131,759	200,485
Deferred inflows related to pensions	<u>185,436</u>	<u>121,181</u>
Total liabilities and deferred inflows of resources	<u>6,505,517</u>	<u>7,586,742</u>
Net position		
Invested in capital assets, net of related debt	11,730,888	12,099,807
Restricted		
Reserve	199,813	194,940
Working capital held by fixed route and paratransit operators	713,741	773,741
Unrestricted	<u>(436,949)</u>	<u>(587,049)</u>
Total net position	<u>\$ 12,207,493</u>	<u>\$ 12,481,439</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	<u>577,104</u>	<u>616,816</u>	<u>39,712</u>
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	<u>8,745,091</u>	<u>7,997,259</u>	<u>747,832</u>
Operating income (loss)	<u>(8,167,987)</u>	<u>(7,380,443)</u>	<u>787,544</u>
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)	<u>8,167,987</u>	<u>7,471,301</u>	<u>(696,686)</u>
Income (loss) before capital contributions and other items	<u>\$ -</u>	90,858	<u>\$ 90,858</u>
Capital contributions		1,148,005	
Nonreimbursable depreciation		(1,457,280)	
Other nonreimbursable expenses		<u>(55,529)</u>	
Change in net position		(273,946)	
Net position, beginning		<u>12,481,439</u>	
Net position, ending		<u>\$ 12,207,493</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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 553,474	\$ 465,840	\$ (87,634)
Demand response income	75,343	46,721	(28,622)
Brokerage service income	11,053,240	8,104,503	(2,948,737)
Total operating revenues	<u>11,682,057</u>	<u>8,617,064</u>	<u>(3,064,993)</u>
Operating expenses			
Fixed route service	6,184,189	5,984,575	199,614
Demand response service	1,052,687	915,610	137,077
Brokerage service	10,830,246	7,933,141	2,897,105
Other operating expenses	136,010	136,010	-
Administrative salaries, taxes and fringe benefits	441,767	408,584	33,183
Administrative expenses	263,782	240,255	23,527
Reimbursable depreciation	17,500	7,772	9,728
Total operating expenses	<u>18,926,181</u>	<u>15,625,947</u>	<u>3,300,234</u>
Operating income (loss)	<u>(7,244,124)</u>	<u>(7,008,883)</u>	<u>235,241</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	304,249	306,681	2,432
Federal CARES	2,852,781	2,260,349	(592,432)
Massachusetts	2,921,800	3,204,047	282,247
Member communities	999,065	999,065	-
Other federal and state assistance	136,010	136,010	-
Advertising income	40,000	40,000	-
Rental income	56,319	55,119	(1,200)
Other income	24,900	48,928	24,028
Interest income	12,000	2,705	(9,295)
Interest expense	(103,000)	(40,387)	62,613
Total non-operating revenues (expenses)	<u>7,244,124</u>	<u>7,012,517</u>	<u>(231,607)</u>
Income (loss) before capital contributions and other items	<u>\$ -</u>	3,634	<u>\$ 3,634</u>
Capital contributions		1,045,022	
Nonreimbursable depreciation		<u>(1,462,649)</u>	
Change in net position		(413,993)	
Net position, beginning		<u>12,895,432</u>	
Net position, ending		<u><u>\$ 12,481,439</u></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,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,753,022	\$ 7,760,041
Payments for goods and services	(8,132,918)	(14,960,105)
Payments to employees	(500,453)	(903,129)
Net cash provided (used) by operating activities	<u>(6,880,349)</u>	<u>(8,103,193)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	7,366,564	6,906,152
Proceeds from issuing revenue anticipation notes	5,100,000	5,300,000
Repayments of revenue anticipation notes	(5,300,000)	(5,150,000)
Interest paid	(28,612)	(73,284)
Net cash provided (used) by noncapital financing activities	<u>7,137,952</u>	<u>6,982,868</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,110,672	1,045,022
Payments for capital acquisitions	(1,148,005)	(1,045,022)
Net cash provided (used) by capital and related financing activities	<u>(37,333)</u>	<u>-</u>
Cash flows from investing activities:		
Interest income	9,579	2,705
Net cash provided (used) by investing activities	<u>9,579</u>	<u>2,705</u>
Net increase (decrease) in cash and equivalents	229,849	(1,117,620)
Cash and equivalents, beginning	<u>811,195</u>	<u>1,928,815</u>
Cash and equivalents, ending	<u>\$ 1,041,044</u>	<u>\$ 811,195</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating loss	\$ (7,380,443)	\$ (7,008,883)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	4,115	7,772
Advertising income	37,760	40,000
Rental income	49,795	55,119
Other income	58,415	48,928
Change in assets and liabilities:		
(Increase) decrease in receivables	1,136,206	(1,682,463)
(Increase) decrease in prepaid expenses	(14,751)	9,461
(Increase) decrease in working capital held by operator	60,000	-
(Increase) decrease in lease receivable	(4,302)	-
Increase (decrease) in accounts payable	(737,319)	375,126
Increase (decrease) in accrued payroll and related liabilities	(36,329)	29,124
Increase (decrease) in unearned revenue	27,983	21,502
Increase (decrease) in net pension liability	(81,479)	1,121
Net cash used by operating activities	<u>\$ (6,880,349)</u>	<u>\$ (8,103,193)</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, 2022 and 2021

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, 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, 2022 and 2021, the Authority's reserve balance was \$199,813 and \$194,940, 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 8, 2022, 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, 2022, were \$1,521,427. Uninsured bank deposits as of June 30, 2022, were \$-0-.

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

	<u>2022</u>	<u>2021</u>
Federal		
Operating assistance	\$ 389,218	\$ 377,111
Operating assistance - Federal CARES and ARPA	2,244,436	2,196,044
Capital assistance	<u>-</u>	<u>2,703</u>
Total federal	<u>2,633,654</u>	<u>2,575,858</u>
Massachusetts		
Operating assistance	-	97,800
Capital assistance	155,670	115,634
Brokerage services	<u>-</u>	<u>1,251,752</u>
Total Massachusetts	<u>155,670</u>	<u>1,465,186</u>
Member communities		
Operating assistance for current year expenditures	1,024,042	999,065
Operating assistance for prior year expenditures	<u>304,030</u>	<u>329,118</u>
Total member communities	<u>1,328,072</u>	<u>1,328,183</u>
Other receivables	<u>539,050</u>	<u>423,504</u>
Total receivables	<u><u>\$ 4,656,446</u></u>	<u><u>\$ 5,792,731</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.

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, 2022 and 2021 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, 2022 and 2021 was \$-0- and \$60,000, respectively.

Total working capital held by BTM and PMB for each of the years ending June 30, 2022 and 2021 was \$713, 741 and \$773,741, respectively.

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 with a conversion date of July 1, 2020. 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, is required to recognize 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, 2022 and 2021, 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 are expected to be exercised. The minimum annual guaranteed advertising income is \$40,000. Advertising income was \$37,760 for the fiscal year ended June 30, 2022.

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. Rental income was \$30,676 for the fiscal year ended June 30, 2022.

NOTE 5 - (Continued)

Leases receivable consist of the following:

	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:

	Advertising Income		Rental Income		Total
Fiscal Year Ending June 30,	Principal Receipts	Interest Receipts	Principal Receipts	Interest Receipts	Receipts
2023	\$ 37,614	\$ 2,386	\$ 31,807	\$ 1,793	\$ 73,600
2024	39,147	853	27,493	507	68,000
Total	<u>\$ 76,761</u>	<u>\$ 3,239</u>	<u>\$ 59,300</u>	<u>\$ 2,300</u>	<u>\$ 141,600</u>

NOTE 6 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2022				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 61,628	\$ -	\$ -	\$ -	\$ 61,628
Construction in process	88,971	154,279	-	(88,971)	154,279
Total capital assets, not being depreciated	<u>150,599</u>	<u>154,279</u>	<u>-</u>	<u>(88,971)</u>	<u>215,907</u>
Capital assets, being depreciated:					
Buildings	15,155,176	136,375	(95,356)	56,016	15,252,211
Revenue equipment	10,361,952	854,670	(43,773)	32,955	11,205,804
Office equipment and furniture	436,326	2,681	-	-	439,007
Service vehicles	315,575	-	-	-	315,575
Total capital assets, being depreciated	<u>26,269,029</u>	<u>993,726</u>	<u>(139,129)</u>	<u>88,971</u>	<u>27,212,597</u>
Less accumulated depreciation for:					
Buildings	7,474,158	402,753	(39,827)	-	7,837,084
Revenue equipment	6,290,125	1,013,980	(43,773)	-	7,260,332
Office equipment and furniture	261,551	39,229	-	-	300,780
Service vehicles	293,987	5,433	-	-	299,420
Total accumulated depreciation	<u>14,319,821</u>	<u>1,461,395</u>	<u>(83,600)</u>	<u>-</u>	<u>15,697,616</u>
Total capital assets, being depreciated, net	<u>11,949,208</u>	<u>(467,669)</u>	<u>(55,529)</u>	<u>88,971</u>	<u>11,514,981</u>
Capital assets, net	<u>\$ 12,099,807</u>	<u>\$ (313,390)</u>	<u>\$ (55,529)</u>	<u>\$ -</u>	<u>\$ 11,730,888</u>

NOTE 6 - (Continued)

	2021				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 61,628	\$ -	\$ -	\$ -	\$ 61,628
Construction in process	-	88,971	-	-	88,971
Total capital assets, not being depreciated	61,628	88,971	-	-	150,599
Capital assets, being depreciated:					
Buildings	15,139,452	18,305	(2,581)	-	15,160,338
Revenue equipment	11,136,631	892,523	(1,667,202)	-	13,696,356
Office equipment and furniture	401,705	45,223	(10,602)	-	457,530
Service vehicles	315,575	-	-	-	315,575
Total capital assets, being depreciated	26,993,363	956,051	(1,680,385)	-	29,629,799
Less accumulated depreciation for:					
Buildings	7,067,458	409,281	(2,581)	-	7,479,320
Revenue equipment	6,939,211	1,018,116	(1,667,202)	-	9,624,529
Office equipment and furniture	235,154	36,999	(10,602)	-	282,755
Service vehicles	287,962	6,025	-	-	293,987
Total accumulated depreciation	14,529,785	1,470,421	(1,680,385)	-	17,680,591
Total capital assets, being depreciated, net	12,463,578	(514,370)	-	-	11,949,208
Capital assets, net	\$ 12,525,206	\$ (425,399)	\$ -	\$ -	\$ 12,099,807

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

	2022	2021
1.00% Revenue anticipation note due July 27, 2022	\$ 5,100,000	\$ -
1.25% Revenue anticipation note due July 29, 2021	-	5,300,000
Total	\$ 5,100,000	\$ 5,300,000

On July 25, 2022, the Authority issued a \$5,350,000 revenue anticipation note maturing on July 25, 2023 at a rate of 2.68%. The Authority repaid the \$5,100,000 note due July 27, 2022.

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:

2022					
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital Held by Operators	Unrestricted	Total
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	-	4,873	-	(4,873)	-
Decrease in working capital held by operators	-	-	(60,000)	60,000	-
Increase (decrease) in net position	(368,919)	4,873	(60,000)	150,100	(273,946)
Net position, beginning	12,099,807	194,940	773,741	(587,049)	12,481,439
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>

2021					
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital Held by Operators	Unrestricted	Total
Net income (loss)	\$ -	\$ -	\$ -	\$ 3,634	\$ 3,634
Reimbursable depreciation	(7,772)	-	-	7,772	-
Nonreimbursable depreciation	(1,462,649)	-	-	-	(1,462,649)
Capital contributions	1,045,022	-	-	-	1,045,022
Increase in reserve for extraordinary expenses	-	4,754	-	(4,754)	-
Increase (decrease) in net position	(425,399)	4,754	-	6,652	(413,993)
Net position, beginning	12,525,206	190,186	773,741	(593,701)	12,895,432
Net position, ending	<u>\$ 12,099,807</u>	<u>\$ 194,940</u>	<u>\$ 773,741</u>	<u>\$ (587,049)</u>	<u>\$ 12,481,439</u>

NOTE 9 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2022:

- A. Fixed route service is 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 \$276,616.
- B. Paratransit Management of the Berkshires, Inc. provided paratransit services mandated by the Americans with Disabilities Act (ADA) as well as non-ADA door-to-door services to approved customers through December 31, 2021. As of January 1, 2022, Berkshire Transit Management, Inc. provides the paratransit service. 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.
- C. Council on Aging (COA) organizations and other private transportation agencies provide paratransit service to qualified persons with disabilities as well as the elderly.
- 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 - 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. The Authority does not contribute to the plan.

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 11 - 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, 2022 with a measurement date of June 30, 2022.

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:

	2022	2021
Active plan members	6	6
Inactive plan members entitled to but not yet receiving benefits	-	5
Total	6	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.

Payable to Pension Plan

At June 30, 2022 and 2021, the Authority reported a payable of \$-0- and \$38,664, respectively for the outstanding amount of contributions to the pension plan.

NOTE 11 - (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 and 2021 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, 2021), net of pension plan investment expense including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2022 and 2021 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 2022 and 2021 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%	2.00%

Discount rate

The discount rate used to measure the total pension liability for 2022 was 4.00% (4.00% for 2021). 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 11 - (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, 2020	\$ 1,451,412	\$ 682,742	\$ 768,670
Changes for the year:			
Service cost	91,955	-	91,955
Interest	77,168	-	77,168
Changes in benefit terms	-	-	-
Changes of assumptions	216,168	-	216,168
Differences between actual and expected experience	(48,364)	-	(48,364)
Contributions - employer	-	160,000	(160,000)
Net investment income	-	45,472	(45,472)
Benefit payments, including refunds of contributions	-	-	-
Administrative expense	-	-	-
Net changes	336,927	205,472	131,455
Balances at June 30, 2021	<u>1,788,339</u>	<u>888,214</u>	<u>900,125</u>
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>

NOTE 11 - (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 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, 2022	\$ 1,072,067	\$ 784,248	\$ 708,148
	1% Decrease (3.00%)	Current Discount (4.00%)	1% Increase (5.00%)
Plan net pension liability as of June 30, 2021	\$ 1,214,179	\$ 900,125	\$ 730,899

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2022, the Transit Authority recognized pension expense of \$122,434 (\$190,715 for the year ended June 30, 2021). At June 30, 2022 and 2021, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 141,702	\$ 175,373	\$ 152,790	\$ 107,973
Changes in assumptions	197,655	5,662	224,392	6,090
Net difference between projected and actual earnings on pension plan investments	69,459	4,401	1,777	7,118
Total	<u>\$ 408,816</u>	<u>\$ 185,436</u>	<u>\$ 378,959</u>	<u>\$ 121,181</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:

	2022	2021
Year ended June 30:		
2022	\$ -	\$ 28,440
2023	36,755	29,692
2024	36,641	29,578
2025	36,125	29,061
2026	37,590	30,528
2027	20,514	31,995
Thereafter	55,755	78,484
Total	<u>\$ 223,380</u>	<u>\$ 257,778</u>

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2023 budget

For the fiscal year 2023, the Authority has approved an operating budget of \$9,011,964, 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 13 - FEDERAL CARES ACT 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:

<u>Federal CARES Act Funding</u>	<u>Performance Period</u>	<u>Total Contract Amount</u>	<u>Funds Spent through Fiscal Year 2021</u>	<u>Funds Spent in Fiscal Year 2022</u>	<u>Remaining Contract Amount</u>
Federal Section 5307	1/20/2020 until spent	\$ 5,678,543	\$ 2,066,634	\$ 1,867,448	\$ 1,744,461
Passed Through Massachusetts Department of Transportation Federal Section 5311	1/20/2020 to 9/30/2021	<u>908,620</u>	<u>759,711</u>	<u>148,909</u>	<u>-</u>
Total		<u>\$ 6,587,163</u>	<u>\$ 2,826,345</u>	<u>\$ 2,016,357</u>	<u>\$ 1,744,461</u>

NOTE 14 - ADOPTION OF NEW ACCOUNTING PRINCIPLE

The Authority adopted GASB Statement No. 87, *Leases*, during fiscal year 2022 resulting in the restatement of 2021 amounts in various line items related to the accounting of leases. Lease related items that were significantly impacted include lease receivables and deferred inflows of resources.

	Leases Receivable	Deferred inflows of resources	Net Position
Amounts previously reported at June 30, 2021	\$ -	\$ -	\$ 12,481,439
Prior period adjustment			
Reporting for leases under GASB 87	200,485	200,485	-
Amounts restated, June 30, 2021	\$ 200,485	\$ 200,485	\$ 12,481,439

NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, for implementation in fiscal year 2022. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority adopted this statement in fiscal year 2022. The Authority's lease contracts are disclosed in Note 5.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, for implementation in fiscal year 2022. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 92, *Omnibus 2020*, for implementation in fiscal year 2022. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 93, *Replacement of interbank offered rates*, for implementation in fiscal year 2022. The statement addresses the issue of the London Interbank Offered Rate ceasing to exist as well as addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, for implementation in fiscal year 2022. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain pension and other employee benefit plans as fiduciary component units; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans. 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, 2022

BRTA Pension Plan
(see also Note 11)
Plan Year End June 30,

	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability								
Service cost	\$ 71,027	\$ 91,955	\$ 101,455	\$ 95,207	\$ 99,853	\$ 99,716	\$ 96,120	\$ 87,751
Interest	82,666	77,168	68,958	61,031	58,458	44,571	36,117	48,941
Changes in benefit terms	-	-	-	-	-	-	-	-
Changes of assumptions	5,639	216,168	(1,653)	(5,620)	44,668	2,129	1,716	-
Differences between expected and actual experience	(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	(345,137)	336,927	198,261	135,303	94,309	231,835	165,494	(158,769)
Total pension liability, beginning	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)	\$ 1,443,202	\$ 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	\$ 238,664	\$ 160,000	\$ 136,000	\$ 115,001	\$ 108,522	\$ 121,564	\$ 57,800	\$ 60,070
Net investment income	(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	(229,260)	205,472	114,874	124,008	43,679	129,626	70,571	(145,409)
Plan fiduciary net position, beginning	888,214	682,742	567,868	443,860	400,181	270,555	199,984	345,393
Plan fiduciary net position, ending (b)	\$ 658,954	\$ 888,214	\$ 682,742	\$ 567,868	\$ 443,860	\$ 400,181	\$ 270,555	\$ 199,984
Net pension liability (a) - (b)	\$ 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	45.66%	49.67%	47.04%	45.32%	39.71%	39.10%	34.17%	31.94%
Covered employee payroll	\$ 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	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, 2022

BRTA Pension Plan
(see also Note 11)
Plan Year End June 30,

	<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	\$ 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>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>\$ (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	\$ 391,095	\$ 390,160	\$ 582,240	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Contribution as a percentage of covered Employee payroll	61.02%	41.01%	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, 2022.

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 2022 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,

	2022	2021
Total operating expenses	\$ 7,997,259	\$ 15,625,947
Eliminate GASB adjustment for change in net pension liability	81,479	(1,120)
Eliminate GASB adjustment for change in leases receivable	4,506	-
Interest expense	13,400	40,387
Total eligible expenses	<u>8,096,644</u>	<u>15,665,214</u>
Revenues applied to eligible expenses:		
Fixed route income	508,150	465,840
Demand response income	64,868	46,721
Brokerage service income	43,798	8,104,503
Other assistance	105,303	136,010
Advertising income	37,760	40,000
Rental income	49,795	55,119
Other income	58,415	48,928
Interest income	9,579	2,705
Total revenues applied to eligible expenses	<u>877,668</u>	<u>8,899,826</u>
Net operating expenses eligible under Sections 5307 and 5311	7,218,976	6,765,388
Less CARES and ARPA funding received under Sections 5307 and 5311 for 100% of eligible operating expenses.	<u>2,393,345</u>	<u>2,260,349</u>
Remaining operating expenses eligible under Sections 5307 and 5311 subject to 50% participation in eligible expenses	4,825,631	4,505,039
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,412,816</u>	<u>\$ 2,252,520</u>
Sections 5307 and 5311 operating assistance subject (amount of maximum funding above or less)	<u>\$ 377,658</u>	<u>\$ 306,681</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

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 2022	Total Service Area 2021
Operating costs		
Administrative costs	\$ 619,727	\$ 656,611
Purchased services		
Fixed route service	6,079,918	5,984,575
Demand response service	1,160,180	915,610
Brokerage service	32,131	7,933,141
Other operating expenses	105,303	136,010
Debt service	13,400	40,387
Eliminate GASB adjustment for change in net pension liability	81,479	(1,120)
Eliminate GASB adjustment for change in leases receivable	4,506	-
Total operating costs	<u>8,096,644</u>	<u>15,665,214</u>
Operating assistance and revenues		
Federal and other operating assistance	<u>3,375,809</u>	<u>3,086,165</u>
Revenues		
Local revenues		
Fixed route income	508,150	465,840
Demand response income	64,868	46,721
Brokerage service income	43,798	8,104,503
Advertising income	37,760	40,000
Rental income	49,795	55,119
Other income	58,415	48,928
Interest income	9,579	2,705
Total local revenues	<u>772,365</u>	<u>8,763,816</u>
Total operating assistance and revenues	<u>4,148,174</u>	<u>11,849,981</u>
Net operating deficit	3,948,470	3,815,233
Increase in reserve for extraordinary expenses	4,873	4,754
Net cost of service	<u>\$ 3,953,343</u>	<u>\$ 3,819,987</u>
Net cost of service funding		
Local assessments	\$ 1,024,042	\$ 999,065
State contract assistance	2,929,301	2,820,922
Total funding	<u>\$ 3,953,343</u>	<u>\$ 3,819,987</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 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 Berkshire Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Berkshire Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Berkshire Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 8, 2022