

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a component Unit of the Massachusetts Department of Transportation)

Basic Financial Statements, Supplementary Data
June 30, 2020

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

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MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020

The Reporting Entity

The management of the Martha's Vineyard Regional Transit Authority (the Authority) has generated this narrative overview and analysis to assist our readers in understanding the Authority's basic financial statements. The Authority was established as a political subdivision of the Commonwealth of Massachusetts on February 15, 1980, by the various towns constituting the Authority, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service. The communities that presently comprise the Authority are Aquinnah, Chilmark, Edgartown, Oak Bluffs, Tisbury and West Tisbury.

Overview of the Financial Statements

This overview and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. In addition to the basic financial statements, the report includes notes to the financial statements, required supplementary information pertaining to the pension and other postemployment benefit plans and certain schedules required by Commonwealth agencies.

The statement of net position reports assets plus deferred outflows of resources and liabilities plus deferred inflows of resources and reports the difference between the two as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net position consists of three sections: invested in capital assets, restricted, and unrestricted. The invested in capital assets component of the net position consists of capital assets, net of related debt. The deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in the invested in capital assets component, if applicable. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. All other net position is unrestricted.

The statement of revenues, expenses and changes in net position reports the operating revenues and expenses, nonoperating revenues and expenses, and capital grants and contributions for the year. The net of these income and expense accounts results in the increase or decrease in net position. That change combined with the net position at the end of the previous year reconciles to the net position at the end of the current year.

The statement of cash flows reports cash and cash equivalents activities for the year resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net results of these activities added to the beginning of the year cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the year.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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JUNE 30, 2020

Condensed Financial Information

Statement of Net Position
(000 omitted)

	2020	2019	2018
Current assets	\$ 3,516	\$ 3,460	\$ 2,892
Capital assets, net	19,706	15,764	14,696
Restricted and noncurrent assets	2,893	2,454	5,371
Total assets	26,115	21,678	22,959
Deferred outflows of resources	207	190	93
Total assets and deferred outflows of resources	26,322	21,868	23,052
Restricted and noncurrent liabilities	4,112	3,622	5,763
Current liabilities	237	280	232
Total liabilities	4,349	3,902	5,995
Deferred inflows of resources	74	21	58
Total liabilities and deferred inflows of resources	4,423	3,923	6,053
Net position			
Invested in capital assets	19,706	15,764	14,696
Restricted	401	226	547
Unrestricted	1,792	1,955	1,756
Total net position	\$ 21,899	\$ 17,945	\$ 16,999

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020

Condensed Financial Information (continued)

Statement of Revenues, Expenses and Changes in Net Position
(000 omitted)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues			
Transportation services	\$ 1,479	\$ 1,934	\$ 1,903
Operating expenses			
Cost of transportation service, maintenance and administration	5,592	5,523	5,216
Depreciation	2,150	1,976	1,916
	<u>7,742</u>	<u>7,499</u>	<u>7,132</u>
Operating loss	<u>(6,263)</u>	<u>(5,565)</u>	<u>(5,229)</u>
Nonoperating revenues and (expenses)			
Operating assistance	4,127	3,492	3,364
Other nonoperating	(188)	(176)	(19)
	<u>3,939</u>	<u>3,316</u>	<u>3,345</u>
Loss before capital contribution	<u>(2,324)</u>	<u>(2,249)</u>	<u>(1,884)</u>
Capital contributions	<u>6,278</u>	<u>3,195</u>	<u>4,503</u>
Change in net position	3,954	946	2,619
Net position			
Beginning of year	17,945	16,999	14,380
End of year	<u>\$ 21,899</u>	<u>\$ 17,945</u>	<u>\$ 16,999</u>

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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JUNE 30, 2020

FINANCIAL ANALYSIS

Coronavirus Pandemic

During the current year, the Coronavirus (COVID-19) epidemic significantly affected the Authority's operations. Transportation revenue was down approximately \$572,000, due to a significant decrease in ridership in the last four months of the current year. Further, certain Covid-19 related expenses of approximately \$82,000 were incurred (eg., personal protection equipment, partitions, disinfectant related products, cleaning labor expenses, etc.).

Fortunately, the Coronavirus Aid Relief and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The Authority received a CARES Act grant in the amount of approximately \$1,462,000 which assisted in funding a portion of the above mentioned revenue loss and additional expenses.

Comparison of Financial Condition at June 30, 2020 and 2019

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$21,899,000.

The Authority's net position increased 2020 versus 2019 by \$3,954,000 (22.0%) during the current year.

The Authority's total assets increased in 2020 versus 2019 by \$4,437,000.

Total current assets increased in 2020 versus 2019 by \$56,000 (1.6%). This was caused primarily by increases in receivable for operating assistance of \$605,000 and prepaid fuel hedge of \$108,000 less decreases in other current assets of \$20,000 and cash of \$637,000.

Total net capital assets increased in 2020 versus 2019 by \$3,942,000 (25.0%). This was caused by capital acquisitions of \$6,384,000 less removals and depreciation. These acquisitions were funded by Federal and State capital grants and the Volkswagen Mitigation Agreement.

The deferred outflows of resources related to pensions and OPEB had an increase of \$17,000 (8.9%) in 2020 versus 2019.

Total liabilities increased in 2020 versus 2019 by \$447,000 (11.5%). This was caused by increases in accounts payable related to capital expenditures of \$252,000, and revenue anticipation note of \$237,000, less a decrease in accounts payable and accrued expense related to operations of \$42,000.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020

Revenues

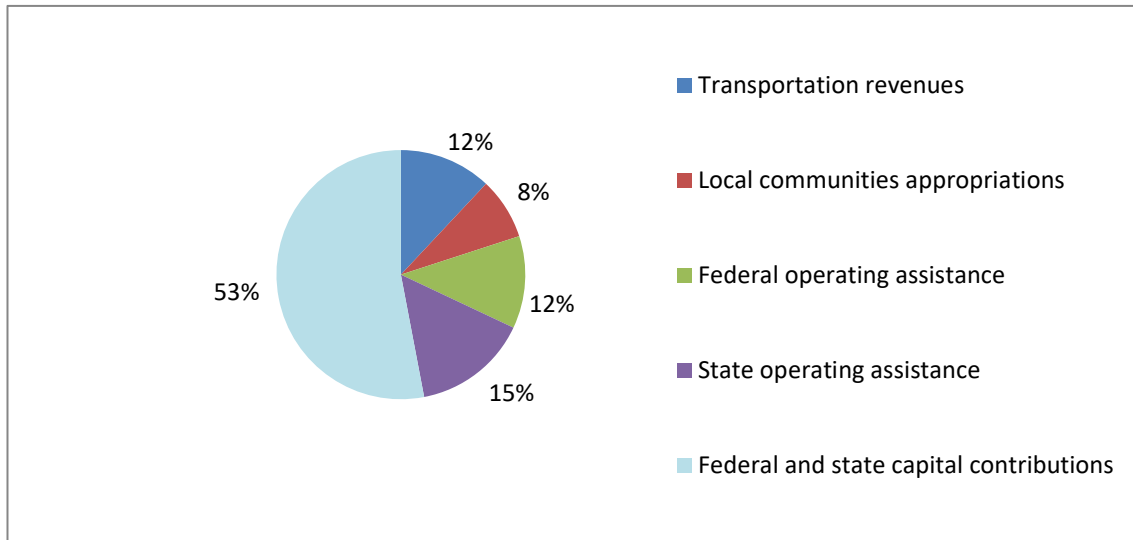
Total transportation service revenue decreased in 2020 versus 2019 by \$455,000 (23.5%). This was caused by decreases in farebox revenue of \$438,000 and other revenue of \$17,000. Both decreases were the result of actions taken to mitigate the effect of the Coronavirus (Covid-19) pandemic.

Total operating assistance grants increased in 2020 versus 2019 by \$635,000 (18.2%). This was caused primarily by CARES Act funding.

Total capital contributions increased in 2020 versus 2019 by \$3,083,000 (96.5%). This was caused primarily by an increase in State capital grant funding.

The change in net position increased in 2020 versus 2019 by \$3,008,000 (318.0%). This was caused by increases in the operating assistance of \$635,000, capital assistance of \$3,083,000, nonoperating expense and operating loss of \$710,000.

Revenues by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Operating Expenses

Total operating expenses increased in 2020 versus 2019 by \$243,000 (3.2%).

The cost of transportation service increased in 2020 versus 2019 by \$18,000 (.4%).

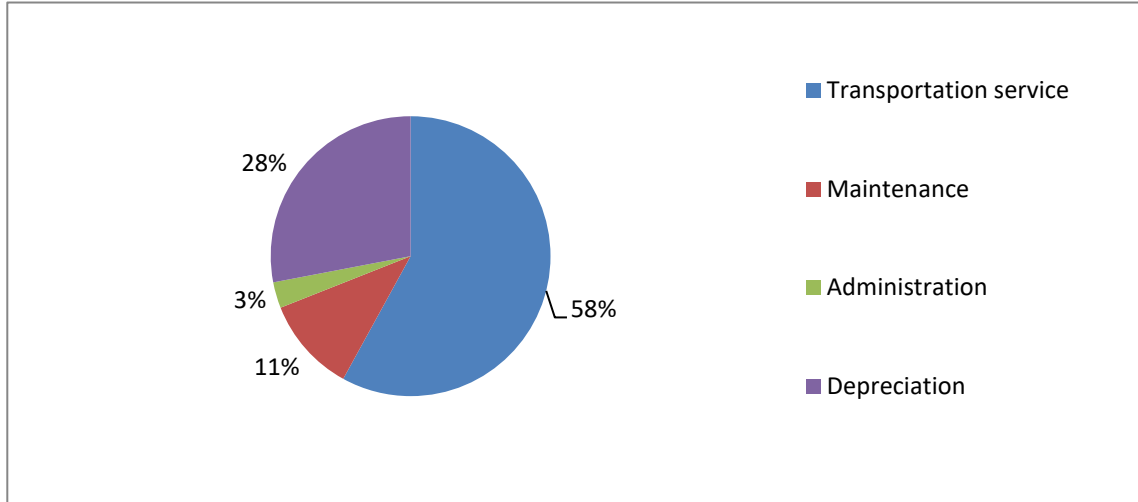
The total of maintenance and administrative expense increased in 2020 versus 2019 by \$50,000 (4.8%).

Depreciation expense increased in 2020 versus 2019 by \$174,000 (8.8%). This was primarily attributable to the addition of one full year of depreciation on 2019 acquisitions and one half year of depreciation on 2020 acquisitions.

The Authority's operating loss increased in 2020 versus 2019 by \$698,000 (12.5%). This was caused primarily by revenue losses as a result of the reduction in service and additional expenses related to the Covid-19 pandemic and the new union collective bargaining agreement.

Overall, some expenses were reduced by the pandemic and some additional costs related to the pandemic were incurred.

Expenses by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2019 and 2018

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$17,945,000 after restating the 2018 other current assets for a prior period adjustment related to the overstatement of inventory of \$158,000.

Total current assets increased in 2019 versus 2018 by \$568,000 (19.6%). This was caused primarily by increases in cash of \$342,000, receivable for operating assistance of \$151,000 and other current assets of \$75,000.

Total net capital assets increased in 2019 versus 2018 by \$1,068,000 (7.3%). This was caused by capital acquisitions of \$3,195,000 less removals and depreciation. These acquisitions were funded by Federal and State capital grants.

The restricted and noncurrent assets decreased in 2019 versus 2018 by \$2,917,000 (54.3%). This was caused by an increase in the receivable for operating assistance of \$24,000, less decreases in the receivable for capital assistance of \$2,919,000 and the net OPEB asset of \$22,000.

The deferred outflows of resources related to pensions and OPEB had an increase of \$97,000 (104.3%) in 2019 versus 2018.

The Authority's total assets decreased in 2019 versus 2018 by \$1,281,000 (5.6%).

Total liabilities decreased in 2019 versus 2018 by \$2,093,000 (34.9%). This was caused by increases in accounts payable and accrued expense related to operations of \$48,000, net pension liability of \$195,000 and revenue anticipation note of \$263,000, less a decrease in accounts payable related to capital expenditures of \$2,599,000.

The Authority's net position increased 2019 versus 2018 by \$946,000 (5.6%) during the current year after restating fiscal year 2018's net position by \$158,000. The restating of fiscal year 2018's net position was the result of recording a prior period adjustment, related to an overstatement of inventory, in the June 30, 2018 financial statements.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020

Revenues

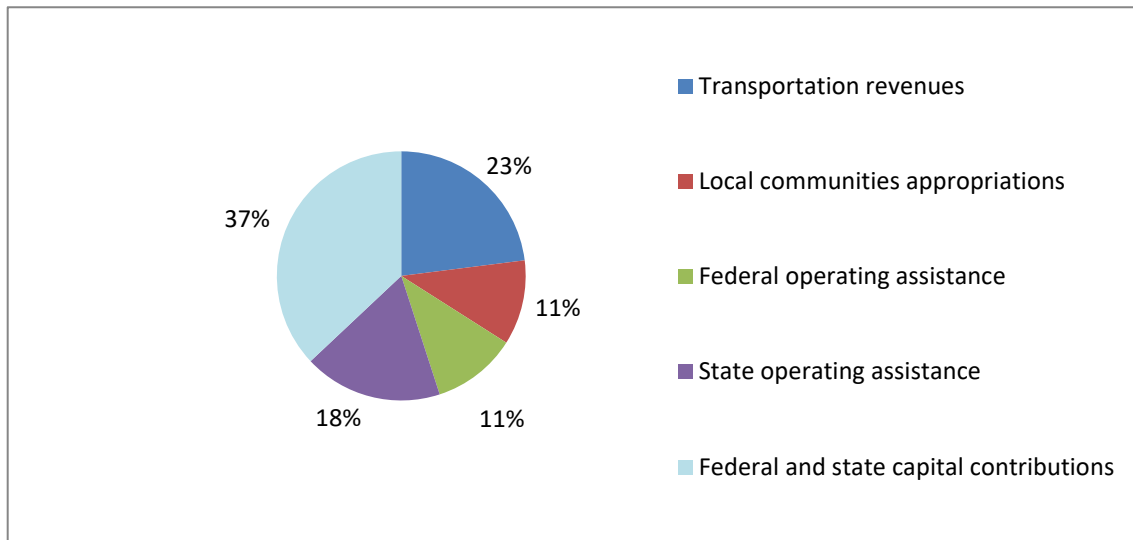
Total operating revenue increased in 2019 versus 2018 by \$31,000 (1.6%).

Nonoperating revenue decreased in 2019 versus 2018 by \$29,000 (0.9%).

Total capital contributions decreased in 2019 versus 2018 by \$1,308,000 (29.0%). This was caused by an increase in Federal funding of \$522,000, less a decrease in State funding of \$1,830,000.

The change in net position decreased in 2019 versus 2018 by \$1,673,000 (63.9%). This was caused by a net decrease in revenue of \$1,306,000 (decreases in capital contributions of \$1,308,000 and nonoperating revenues of \$29,000, less an increase in operating revenues of \$31,000) and an increase operating expenses of \$367,000.

Revenues by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020

Operating Expenses

Total operating expenses increased in 2019 versus 2018 by \$367,000 (5.1%).

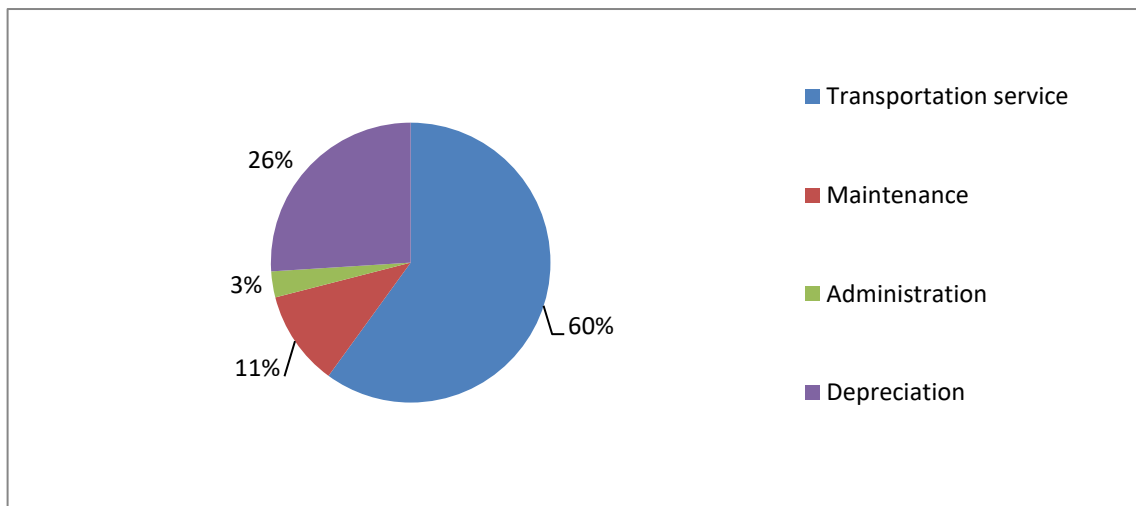
The cost of transportation service increased in 2019 versus 2018 by \$306,000 (7.3%).

The total of maintenance and administrative expense were about the same in both 2019 versus 2018.

Depreciation expense increased in 2019 versus 2018 by \$60,000 (3.1%). This was primarily attributable to the addition of one full year of depreciation on 2018 acquisitions and one half year of depreciation on 2019 acquisitions.

The Authority's operating loss increased in 2019 versus 2018 by \$336,000 (6.4%). This was caused primarily by increases in the cost of transportation service.

Expenses by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Capital Assets

The Authority's capital assets as of June 30, 2020, amounted to \$19,706,000, net of accumulated depreciation. The Authority's investment in capital assets includes buildings and structures, vehicles, office and maintenance equipment, intangible assets, and construction in progress. During 2020, the Authority invested \$6,251,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants. During the current year, the most significant capital asset acquisitions were the acquisition of vehicles and the electric bus infrastructure assets.

More detailed information regarding the Authority's capital asset activities for 2020 can be found in the notes to the financial statements (Note 7).

Revenue Anticipation Note

The Authority had a revenue anticipation note, inclusive of premium, of \$2,000,000 and \$1,763,000 at the end of 2020 and 2019, respectively.

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily, 64%, from operating assistance from the Commonwealth and 36% by assessments to the member communities.

Demand for the Authority's services is mainly affected by the overall economic activity on Martha's Vineyard, both seasonally and year-round. The economic activity is a reflection of the overall construction on the island and other factors, such as weather-related conditions, capacity constraints, and operational limitations, which can also have an impact on the Authority's annual ridership volumes.

The Authority's operations were affected by the Coronavirus (Covid-19) during the current year as discussed in Note 1. The Coronavirus and actions taken to mitigate have had and are expected to continue to have an adverse impact on the Authority's operations. While it is unknown how long these conditions will last and what the complete financial effect will be to the Authority, it is reasonably certain that future Authority financial statements will be adversely effected. The Authority does have additional CARES Act funding of approximately \$998,000; however, whether this is enough to cover future losses or not can not be determined at this time.

The Authority's operating revenue for the past three years was:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Farebox revenue	\$1,701,000	\$1,698,000	\$1,260,000
Other revenue	202,000	236,000	219,000

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Angela Grant, Administrator, Martha's Vineyard Regional Transit Authority, 11 A Street, Edgartown, MA 02539.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Advisory Board
Martha's Vineyard Regional Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Martha's Vineyard Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the Authority as of June 30, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i – xi and the required supplementary information schedules on pages 26 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information presented on pages 31 and 33 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the Authority's internal control over financial reporting and 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 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 Authority's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.

October 28, 2020

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 349,529	\$ 986,967
Receivable for operating assistance	2,625,447	2,020,467
Prepaid fuel hedge	108,158	
Other current assets	433,758	452,436
Total current assets	<u>3,516,892</u>	<u>3,459,870</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	249,240	221,136
Receivable for capital assistance	1,841,319	1,442,525
Total restricted assets	<u>2,090,559</u>	<u>1,663,661</u>
Receivable for operating assistance	509,010	464,195
Capital assets, net	19,706,095	15,763,867
Net OPEB asset	293,016	326,777
Total restricted and noncurrent assets	<u>22,598,680</u>	<u>18,218,500</u>
Total assets	<u>26,115,572</u>	<u>21,678,370</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	128,414	174,473
Deferred outflows of resources related to OPEB	78,149	15,562
	<u>206,563</u>	<u>190,035</u>
Total assets and deferred outflows of resources	<u>26,322,135</u>	<u>21,868,405</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	237,150	279,868
Total current liabilities	<u>237,150</u>	<u>279,868</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable and accrued expense	1,689,032	1,437,623
Total liabilities payable from restricted assets	<u>1,689,032</u>	<u>1,437,623</u>
Net pension liability	422,790	421,760
Revenue anticipation notes	2,000,000	1,762,820
Total restricted and noncurrent liabilities	<u>4,111,822</u>	<u>3,622,203</u>
Total liabilities	<u>4,348,972</u>	<u>3,902,071</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	16,906	21,132
Deferred inflows of resources related to OPEB	57,059	
	<u>73,965</u>	<u>21,132</u>
Total liabilities and deferred inflows of resources	<u>4,422,937</u>	<u>3,923,203</u>
NET POSITION		
Invested in capital assets	19,706,095	15,763,867
Restricted	401,527	226,038
Unrestricted	1,791,576	1,955,297
Total net position	<u>\$ 21,899,198</u>	<u>\$ 17,945,202</u>

See accompanying notes to financial statements

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Transportation services	\$ 1,478,644	\$ 1,933,605
Operating expenses		
Cost of transportation service	4,494,496	4,476,158
Maintenance	870,950	845,036
General and administration	226,032	201,502
	5,591,478	5,522,696
Depreciation	2,149,619	1,975,686
	7,741,097	7,498,382
Operating loss	(6,262,453)	(5,564,777)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	1,443,222	969,925
Commonwealth of Massachusetts	1,723,845	1,585,533
Local	960,235	936,815
Loss on disposal of capital assets	(159,266)	(151,934)
Interest expense	(29,227)	(24,931)
	3,938,809	3,315,408
Loss before capital contributions	(2,323,644)	(2,249,369)
Capital contributions		
Federal	446,400	583,535
Commonwealth of Massachusetts	5,831,240	2,611,735
	6,277,640	3,195,270
Change in net position	3,953,996	945,901
Net position		
Beginning of year	17,945,202	16,999,301
End of year	\$ 21,899,198	\$ 17,945,202

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,385,456	\$ 1,867,170
Payments to vendors and suppliers	(4,819,376)	(4,721,053)
Payments to employees	(614,433)	(619,731)
Payments of fringe	<u>(229,886)</u>	<u>(133,264)</u>
Net cash used in operations	<u>(4,278,239)</u>	<u>(3,606,878)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	2,000,000	1,766,476
Repayment of revenue anticipation notes	(1,750,000)	(1,500,000)
Operating assistance grants	3,570,695	3,382,663
Interest on notes	<u>(52,354)</u>	<u>(29,918)</u>
Net cash provided by noncapital financing activities	<u>3,768,341</u>	<u>3,619,221</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(2,082,859)	(5,794,000)
Capital contributions		
Federal Transit Administration		645,569
Commonwealth of Massachusetts	<u>1,978,846</u>	<u>5,469,038</u>
Net cash provided by (used in) capital and related financing activities	<u>(104,013)</u>	<u>320,607</u>
Cash flows from investing activities		
Interest income	<u>4,577</u>	<u>8,586</u>
Net cash provided by investing activities	<u>4,577</u>	<u>8,586</u>
Net increase (decrease) in cash and cash equivalents	(609,334)	341,536
Cash and cash equivalents at beginning of year	<u>1,208,103</u>	<u>866,567</u>
Cash and cash equivalents at end of year	<u>\$ 598,769</u>	<u>\$ 1,208,103</u>
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (6,262,453)	\$ (5,564,777)
Adjustments to reconcile the operating loss to net cash used in operating activities:		
Depreciation expense	2,149,619	1,975,686
Post employment healthcare credit	11,389	45,715
Pension expense	42,863	37,477
Changes in assets and liabilities:		
Receivables, net	(93,188)	(66,435)
Prepaid fuel hedge	(108,158)	
Other assets	18,678	(75,201)
Accounts payable and accrued expense	<u>(36,989)</u>	<u>40,657</u>
Net cash used in operations	<u>\$ (4,278,239)</u>	<u>\$ (3,606,878)</u>
Supplemental disclosures of noncash transactions		
Increase in accounts payable related to capital expenditures	\$ 251,409	\$

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2020 and 2019

1. The Reporting Entity

The Martha's Vineyard Regional Transit Authority (the Authority) is a component unit of the Massachusetts Department of Transportation (MassDOT) and MassDOT is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Authority was established as a political subdivision of the Commonwealth on February 15, 1980, by the various towns constituting the Authority, pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service. The communities that presently comprise the Authority are Aquinnah, Chilmark, Edgartown, Oak Bluffs, Tisbury and West Tisbury. The Authority does not have any stockholders or equity holders.

The Authority is managed by an Administrator appointed by an Advisory Board. The Advisory Board is made up of appointed representatives from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from federal and state governments and the member communities. In addition, the Authority receives federal and state capital grants that are used to finance acquisitions and improvements of facilities and equipment.

The operation of the Authority was performed by Transit Connection, Incorporated (the Operator). The Operator functions under terms and agreements whereby it provides mass transit along such routes and according to such schedules as may be defined by the Authority. The current agreement terminates January 31, 2021. The contract may be terminated by either party with ninety days notice.

The Authority also has a brokerage service program, whereby, the Authority contracts with various social service agencies to provide public transportation to their clients. The operation of this program is also provided by the Operator.

Coronavirus Pandemic

During the current year, the Coronavirus (COVID-19) epidemic significantly affected the Authority's operations. Transportation revenue was down approximately \$572,000, due to a significant decrease in ridership in the last four months of the current year. Further, certain Covid-19 related expenses of approximately \$82,000 were incurred (eg., personal protection equipment, partitions, disinfectant related products, cleaning labor expenses, etc.).

Fortunately, the Coronavirus Aid Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The Authority received a CARES Act grant in the amount of approximately \$1,462,000 which assisted in funding a portion of the above mentioned revenue loss and additional expenses.

2. Summary of Significant Accounting Policies

a) Measurement Focus, Basis of Accounting and Financial Reporting Presentation – The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under these standards, the Authority is defined as a special-purpose government, engaged only in business-type activities.

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2. Summary of Significant Accounting Policies (continued)

a) Measurement Focus, Basis of Accounting and Financial Reporting Presentation (continued)

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized at the time transportation services are provided. Unearned revenue represents cash received in advance of future services.

The Authority distinguishes between operating revenues and expenses and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's principal operating revenue is passenger fares. Operating expenses include the cost of transit services, maintenance, administrative and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

b) Adoption of New Accounting Pronouncements – In January, 2020, the GASB issued GASB No. 92, *Omnibus 2020*. This statement covered a number of reporting topics, most of which are not to be implemented until fiscal year 2022 (pursuant to GASB No. 95). The only provision that required adoption in fiscal year 2020 regarded reinsurance recoveries. This provision stated that for purposes of applying paragraph 37 of GASB Statement No. 10 related to accounting for risk financing and insurance-related activities of public entity risk pools, amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The adoption of this standard did not have a material effect on the Authority's financial statements.

In May 2020, the GASB issued GASB No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement extends the effective dates of certain accounting and financial provisions in GASB Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of the Statement apply to the financial statements of all state and local governments. The adoption of the standard did not have an effect on the Authority's financial statements.

The GASB has issued the following statements, which require adoption subsequent to June 30, 2020 and may be applicable to the Authority. The Authority has not yet adopted these statements, and the implication on the Authority's fiscal practices and financial reports is being evaluated. The adoption years below reflect changes pursuant to GASB No. 95.

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2. Summary of Significant Accounting Policies (continued)

b) Adoption of New Accounting Pronouncements (continued)

Statement No.	Adoption Required in Fiscal Year
84 <i>Fiduciary Activities</i>	2021
87 <i>Leases</i>	2022
89 <i>Accounting for Interest Cost Incurred before the End of Construction Period</i>	2022
90 <i>Majority Equity Interests – an amendment of GASB Statements No. 14 and 61</i>	2021
91 <i>Conduit Debt Obligations</i>	2023
92 <i>Omnibus 2020 (for all paragraphs except 11)</i>	2022
93 <i>Replacement of Interbank Offered Rates</i>	2022
94 <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96 <i>Subscription-Based Information Technology Arrangements</i>	2023
97 <i>Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a suppression of GASB No. 32</i>	2022

c) Capital Grants – The Authority receives capital grants from various governmental agencies to be used for various purposes connected with the planning, modernization and expansion of transportation facilities and equipment. Capital grants are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

d) Statement of Cash Flows – For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

e) Restricted Assets and Restricted Liabilities – Restricted assets are restricted for the acquisition of capital assets, the stabilization fund and the reserve for extraordinary expense. Restricted liabilities are amounts payable from the restricted assets.

f) Capital Assets – Capital assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated service lives of the assets. The Authority's capitalization policy is to capitalize all assets acquired with capital funds regardless of the dollar amount. The estimated service lives are as follows:

	<u>Years</u>
Building and structures	15 – 40
Vehicles	5 – 12
Equipment	5 – 7
Intangible assets	5

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2. Summary of Significant Accounting Policies (continued)

g) Net Position - Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported in three categories and these are defined as follows: (1) amounts invested in capital assets consists of capital assets, net of accumulated depreciation and is reduced by the related debt that is attributed to the acquisition, construction, or improvement of those assets, (2) restricted net position results when constraints are placed on net position use, and are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation. (3) Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

h) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

i) Restricted Cash and Investment Accounts – Certain cash and investments are segregated from operating cash due to certain internal or external restrictions as follows:

- Stabilization and contingency reserve accounts – represent funds held in accordance with statutory requirements to be used when annual revenues are projected to be less than annual expenses, or if the Authority has insufficient funds on hand to pay current expenses.
- Other Accounts – represent internally restricted funds held for capital acquisitions and other expenses.

j) Postemployment Benefits Other than Pensions (OPEB) – For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Dukes County Other Post-Employment Benefits Trust Fund (the Trust) and additions to/deductions from the Trust's fiduciary net position have been determined on the basis they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k) Available Unrestricted Resources – The Authority's policy is to utilize available unrestricted resources prior to using restricted resources.

l) Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

m) Pensions – For purposes of measuring the Authority's 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 Dukes County Contributory Retirement System (DCRS) and additions to/deductions from the DCRS's fiduciary net position have been determined on the same basis as they are reported by DCRS. 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.

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2. Summary of Significant Accounting Policies (continued)

n) Deferred Outflows/Inflows of Resources - The Authority accounts for certain transactions that result in the consumption or acquisition in one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. In 2020, the Authority reported deferred outflows and deferred inflows of resources related to its pension and OPEB plans.

3. Cash and Cash Equivalents

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. Government or its agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Custodial credit risk exists for cash deposits when, in the event of the failure of a depository financial institution, the Authority's deposits will not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are fully FDIC insured or collateralized with securities held by the pledging financial institution's trust department in the financial institution's name. At June 30, 2020, the Authority does not have any uninsured or uncollateralized bank deposits.

Cash and cash equivalents reported in the accompanying statement of net position as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Current assets - cash and cash equivalents	\$ 349,529	\$ 986,967
Noncurrents assets - restricted funds	249,240	221,136
Total	<u>\$ 598,769</u>	<u>\$ 1,208,103</u>

4. Grants

The Federal government provides both operating and capital funding pursuant to the various sections of the Moving Ahead for Progress in the 21st Century (MAP-21) Act, of 2012 and the Fixing America's Surface Transportation Act (FAST), of 2015. Further, the Commonwealth of Massachusetts (MassDOT) and the member communities provide the local share of both operating and capital funding. Due to the Coronavirus, Congress passed the Coronavirus Relief and Economic Security Act (CARES Act). This Act provides operating and capital funding for losses sustained as a result of the Coronavirus epidemic.

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5. Receivable for Operating and Capital Assistance

The receivable for operating and capital assistance is made up the following:

	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Operating assistance		
United States Department of Transportation -		
Pass-through grants through the Commonwealth		
Operating grants		
Formula Grants for Rural Areas	\$ 979,302	\$ 969,925
CARES Act assistance	463,920	
Local operating assistance to be billed to		
the Towns constituting the Authority and		
paid by the Commonwealth to the Authority	1,432,081	1,348,771
Other accounts receivable	<u>259,154</u>	<u>165,966</u>
Total operating assistance	<u>3,134,457</u>	<u>2,484,662</u>
Less noncurrent portion	<u>(509,010)</u>	<u>(464,195)</u>
Total current operating assistance	<u>\$ 2,625,447</u>	<u>\$ 2,020,467</u>
	<u>2020</u>	<u>2019</u>
<u>Noncurrent</u>		
Capital assistance		
Commonwealth of Massachusetts	\$ 1,394,919	\$ 1,442,525
United States Department of Transportation	446,400	
Total capital assistance	<u>\$ 1,841,319</u>	<u>\$ 1,442,525</u>

6. Other Current Assets

The other current asset balance includes a motor vehicle parts and fuel inventory for 2020 and 2019 of approximately \$387,000 and \$368,000, respectively. This inventory is stated at the lower of cost or market on a first-in, first-out basis.

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7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Common carrier rights	\$ 1,620,000	\$ -	\$ -	\$ 1,620,000
Construction in Progress	\$ 1,877,641	\$ 1,256,199	\$ 133,008	3,000,832
Subtotal	<u>3,497,641</u>	<u>1,256,199</u>	<u>133,008</u>	<u>4,620,832</u>
Depreciable capital assets				
Building and structures	5,108,166	75,202	52,516	5,130,852
Vehicles	15,135,412	4,820,191	1,269,894	18,685,709
Equipment	1,116,066	107,952	436,079	787,939
Intangible assets	530,152	124,679	474,273	180,558
Subtotal	<u>21,889,796</u>	<u>5,128,024</u>	<u>2,232,762</u>	<u>24,785,058</u>
Accumulated depreciation	<u>9,623,570</u>	<u>2,149,619</u>	<u>2,073,394</u>	<u>9,699,795</u>
Net depreciable assets	<u>12,266,226</u>	<u>2,978,405</u>	<u>159,368</u>	<u>15,085,263</u>
Net capital assets	<u>\$ 15,763,867</u>	<u>\$ 4,234,604</u>	<u>\$ 292,376</u>	<u>\$ 19,706,095</u>

The capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Common carrier rights	\$ 1,620,000	\$ -	\$ -	\$ 1,620,000
Construction in Progress		\$ 1,877,641		1,877,641
Subtotal	<u>1,620,000</u>	<u>1,877,641</u>	<u>-</u>	<u>3,497,641</u>
Depreciable capital assets				
Building and structures	5,091,924	16,242		5,108,166
Vehicles	16,324,796	1,109,831	2,299,215	15,135,412
Equipment	1,064,923	61,938	10,795	1,116,066
Intangible assets	400,697	129,455		530,152
Subtotal	<u>22,882,340</u>	<u>1,317,466</u>	<u>2,310,010</u>	<u>21,889,796</u>
Accumulated depreciation	<u>9,805,961</u>	<u>1,975,686</u>	<u>2,158,077</u>	<u>9,623,570</u>
Net depreciable assets	<u>13,076,379</u>	<u>(658,220)</u>	<u>151,933</u>	<u>12,266,226</u>
Net capital assets	<u>\$ 14,696,379</u>	<u>\$ 1,219,421</u>	<u>\$ 151,933</u>	<u>\$ 15,763,867</u>

Depreciation expense for 2020 and 2019 was \$2,149,619 and \$1,975,686, respectively.

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8. Revenue Anticipation Notes

During the year ended June 30, 2020 and 2019, the following changes occurred in the Authority's revenue anticipation notes (RANs):

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 1,762,820	\$ 1,500,284
New notes issued	2,000,000	1,766,476
Notes retired	<u>(1,762,820)</u>	<u>(1,503,940)</u>
Ending balance	<u>\$ 2,000,000</u>	<u>\$ 1,762,820</u>

The RAN outstanding at June 30, 2020, has an interest rate of 1.30% and is due in April, 2021.

All required payments with respect to this obligation are guaranteed by the Commonwealth of Massachusetts. The guarantee is for the entire duration of the note. Further, in the history of the Authority, the Commonwealth has never had to pay anything with respect to the Authority's RANs.

The RAN is expected to be refinanced upon maturity with generally the same terms as the note currently outstanding. Therefore, it is short-term debt expected to be refinanced and is thus classified as long-term debt.

9. Restricted Net Position

Restricted net position is comprised of the total restricted net assets less liabilities payable from restricted net assets. The following delineates the expendable versus nonexpendable restricted net position:

	<u>2020</u>	<u>2019</u>
Expendable		
Restricted by enabling legislation		
Stabilization Fund	\$ 117,685	\$ 117,685
Reserve for extraordinary expense	131,555	103,451
Capital asset acquisitions	<u>152,287</u>	<u>4,902</u>
	<u>\$ 401,527</u>	<u>\$ 226,038</u>

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10. Leases

Operating lease

The Authority leases land from the Martha's Vineyard Airport Commission under a long-term, non-cancellable, operating lease. The lease terminated March 31, 2020, but was extended by agreement of the parties to June 30, 2021. The annual rent for the extended period is \$ 74,078 and the Authority still has an option to renew the lease for an additional 20 years.

The future minimum lease payments, net of related minimum sublease income, are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>	<u>Minimum Sublease Income</u>	<u>Net Lease Payments</u>
2021	\$ 74,078	\$ 29,148	\$ 44,930

Aggregate rental expense for 2020 and 2019 was \$73,672 and \$71,396, respectively.

The Martha's Vineyard Airport Commission is a political subdivision of the Commonwealth of Massachusetts. Therefore, it is a related party to the Authority.

11. Employees' Retirement Benefits

Pension Plan

General Information about the Pension Plan

Plan Description – The Authority provides retirement benefits to its employees through the Dukes County Contributory Retirement System (DCRS). The Plan is a cost-sharing, multiple-employer, contributory, defined benefit pension plan. The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Massachusetts General Laws, Chapter 32. The Public Employees Retirement Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's retirement system. Oversight of the DCRS is provided by a five person Board of Retirement. The Plan issues a publicly available financial report that may be obtained by contacting the Plan located at 8 Airport Road, Suite 1, Vineyard Haven, MA 02568.

Benefits Provided – The Plan covers all eligible employees and provides retirement, disability, cost of living adjustments and death benefits to all Plan members and beneficiaries. The Plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

Contributions – Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan 5% and 11% of their covered compensation, depending on plan entry date. The Authority's statutorily required contribution rate for the year ended June 30, 2020, was 9.24% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$56,956 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the Authority reported a liability of \$422,790 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Update procedures were used to roll forward the total pension liability to June 30, 2020. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Authority's proportion of net pension liability was .844 percent.

For the year ended June 30, 2020, the Authority recognized pension expense of \$99,819 and reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,303	\$ 2,544
Net difference between projected and actual investment earnings on pension plan investments	32,632	
Changes in assumptions	46,351	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>47,128</u>	<u>14,362</u>
Total deferred outflows and inflows of resources	<u>\$ 128,414</u>	<u>\$ 16,906</u>

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

<u>Year</u>	
2021	34,415
2022	29,727
2023	38,401
2024	8,965

Actuarial Assumptions – The total pension liability in the January 1, 2018 actuarial valuation and the related update to June 30, 2020, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Amortization method	Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability to zero on or before June 30, 2030.
2002 & 2003 ERI's	Increasing dollar amount at 4.5% to reduce the unfunded actuarial accrued liability attributable to the ERI's to zero on or before June 30, 2028.
Remaining amortization period	11 years for UAL as of December 31, 2018 9 years for the 2002 and 2003 ERI's as of December 31, 2018.
Asset valuation method	The market value of assets as of the valuation date reduced by the sum of 80% of gains and losses of the prior year, 60% of gains and losses of the second prior year, 40% of gains and losses of the third prior year and 20% of gains and losses of the fourth prior year.
	Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Inflation	3%
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation.

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions (continued)

Cost of living adjustments	Cost of living adjustments are 3.0 percent of the pension amount, capped at \$420 per year.
Payroll growth	4% per year
Rates of retirement and disability	Varies based upon age
Mortality rates	Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvements using Scale BB. For disabled members, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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>
Domestic Equity	40.00%	4.60%
International equity	15.00%	3.20%
Alternatives - Private equity	5.00%	10.50%
Hedge funds	2.50%	1.60%
Real estate	10.00%	6.20%
Timber	2.50%	3.60%
Fixed income	25.00%	1.60%
Total	100.00%	

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Discount rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 active and inactive employees. 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.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Authority's proportionate share of the net pension liability	\$ 624,715	\$ 422,790	\$ 251,941

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued DCRS financial report.

Post Employment Healthcare Benefits

Plan Description

Plan Administration – The Authority administers the retiree health care benefits program – a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees.

Plan Membership – At June 30, 2020, plan membership consisted of 8 active employees and 1 retiree.

Benefits Provided – The Authority provides health care benefits for retirees and their dependents. Benefits are provided through the Cape Cod Municipal Health Group, and the full cost of benefits is shared between the Authority and retirees.

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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Plan Description (continued)

Contributions – Contributions to the Trust are voluntary and determined by the Authority. Presently, the Authority is funding the Actuarially Determined Employer Contribution requirement. For the year ended June 30, 2020, there were not any contributions to the Plan.

Net OPEB Asset

The components of the net OPEB asset at June 30, 2020, were as follows:

Total OPEB liability	\$ 497,973
Fiduciary net position	(790,989)
Net OPEB asset	<u>\$ (293,016)</u>

Fiduciary net position as a percentage of the total OPEB liability 158.84%

Actuarial Assumptions – The total OPEB asset was determined by an actuarial valuation as of July 1, 2018 and was rolled forward to the June 30, 2019 measurement date and the June 30, 2020 report date using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Amortization method	Increasing at 3.5% over 30 years on an open amortization period
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.6% per year
Healthcare cost trend rates	8% initial, decreasing .5 percent per year to 5.5%, then downgrading to an ultimate rate of 3.9%
Discount rate	7.5%, net of investment expense, including inflation
Pre-Retirement Mortality - General employees	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Post-Retirement Mortality – General employees	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Payroll growth	3.5% per year

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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Net OPEB Asset (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equity	35.00%	4.20%
Mid Cap Equity	10.00%	6.60%
Small Cap Equity	10.00%	7.10%
International Equity	15.00%	2.80%
Real Estate	10.00%	6.00%
Fixed Income	20.00%	2.00%
Total	<u>100.00%</u>	

Discount rate – The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB 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 OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Changes in the Net OPEB Liability/Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at 6/30/2019	\$ 435,097	\$ 739,502	\$ (304,405)
Charges for the year:			-
Service Cost	28,000		28,000
Interest	34,876		34,876
Contributions			-
Net investment income		55,319	(55,319)
Benefit payments		(3,832)	3,832
Changes in benefit terms			-
Net changes	62,876	51,487	11,389
Balance at 6/30/2020	\$ 497,973	\$ 790,989	\$ (293,016)

The actuarial valuation related to fiscal year 2019 was received subsequent to the issuance of the June 30, 2019 financial statements. The above balance at June 30, 2019 has been changed to reflect the amounts per the new actuarial valuation. This change did not have a material effect on the net OPEB asset.

Sensitivity of the net OPEB asset to changes in the discount rate - The following presents the net OPEB asset of the Authority calculated using the current discount rate of 7.5%, as well as what the net OPEB would be if it were calculated using a discount rate 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net OPEB Asset	\$ (208,129)	\$ (293,016)	\$ (360,146)

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates - The following presents the net OPEB asset calculated using the current healthcare cost trend rates as well as what the net OPEB asset would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (7% year 1 decreasing to 2.9%) or 1-percentage-point higher (9% year 1 decreasing to 4.9%) than the current healthcare cost trend rates for measurement period ended June 30, 2018:

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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

	1% Decrease 7% Year 1 Decreasing to 2.9%	Healthcare Cost Trend Rates 8% Year 1 Decreasing to 3.9%	1% Increase 9% Year 1 Increasing to 4.9%
Net OPEB Asset	\$ (379,309)	\$ (293,016)	\$ (172,792)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$11,389. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows related to OPEB of \$78,149 and \$57,059, respectively. Components of these amounts are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (57,059)
Difference between projected and actual earnings	19,543	
Changes in assumptions	58,606	
Total deferred outflows and inflows of resources	\$ 78,149	\$ (57,059)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year</u>	
2021	\$ 7,999
2022	\$ 7,998
2023	4,107
2024	187
Thereafter	799
	\$ 21,090

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Trust report. A copy of the report may be obtained by contacting the Trustee Chair, 9 Airport Road, Suite 1, Vineyard Haven, MA 02568.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
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12. Commitments and Contingencies

- a) Litigation – In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse effect on the Authority's financial position.
- b) Federal and State Grants - The Authority has received capital and operating financial assistance from Federal and State agencies in the form of grants. Expenditure of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.
- c) Risk management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers compensation claims. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverage for each of the past three fiscal years.

The Authority's workers compensation coverage is insured under a retrospectively rated policy. In the opinion of management, any audit adjustment made by the insurance carrier will not be material to the accompanying financial statements.

- d) Purchase commitments – As of June 30, 2020, the Authority has purchase commitments in the amount of \$2,424,000 related to the acquisition of buses.

13. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. The Authority increased the reserve in 2020 and 2019, \$28,104 and none, respectively. The aggregate reserve was \$131,555 and \$103,451 in 2020 and 2019, respectively. This represents 14.04% and 11.32% of the applicable local assessments for 2020 and 2019, respectively.

The reserve for extraordinary expense is included in the accompanying statement of net position in the net position category, restricted account.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2020 and 2019

14. Hedge Program

The Authority manages a fuel oil hedging program which is intended to take advantage of market conditions to cap fuel expense. The objectives of this program are to (1) identify exposure to movements in energy prices, (2) understand the impact to the Authority's financial position, (3) employ all reasonable and prudent measures to mitigate the impact of price movements, and (4) manage the volatility of energy costs to acceptable levels. The hedge program attempts to transform the unacceptable risks of skyrocketing energy prices into an acceptable form, similar to an insurance policy.

The Authority's hedging program operates under a non-speculative philosophy and transactions are limited to expected energy volumes anticipated in the normal course of operations.

15. Subsequent Events

The Authority's operations were affected by the Coronavirus (Covid-19) during the current year as discussed in Note 1. The Coronavirus and actions taken to mitigate have had and are expected to continue to have an adverse impact on the Authority's operations. While it is unknown how long these conditions will last and what the complete financial effect will be to the Authority, it is reasonably certain that future Authority financial statements will be adversely affected. The Authority does have unused CARES Act funding of approximately \$998,000; however, whether this is enough to cover future losses or not can not be determined at this time.

The Authority evaluated subsequent events through October 28, 2020, when the financial statements were available to be issued.

16. Compensation Disclosures (unaudited)

The Massachusetts Executive Office of Administration and Finance, pursuant to Massachusetts General Law 810 CMR 53.03(2) requires the following compensation disclosures.

The Administrator's (CEO) base salary for fiscal year 2020 was \$135,200. In addition, the CEO is in a (1) health insurance plan contributing 25% of the premium, and (2) a pension plan contributing 11% of regular salary.

The Deputy Administrator's (DA) base salary for fiscal year 2020 was \$93,730. In addition, the DA is in a (1) health insurance plan contributing 25% of the premium, and (2) a pension plan contributing 11% of regular salary.

Advisory Board members and officers do not receive compensation.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability (Unaudited)
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.844%	0.844%	0.684%	0.684%	0.681%	0.681%
Authority's proportionate share of the net pension liability	\$ 422,790	\$ 421,760	\$ 226,827	\$ 314,025	\$ 267,629	\$ 245,465
Authority's covered-employee payroll	\$ 616,092	\$ 508,495	\$ 675,421	\$ 574,843	\$ 539,866	\$ 519,102
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.62%	82.94%	33.58%	54.63%	49.57%	47.29%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.54%	82.43%	74.21%	75.61%	76.17%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2018.

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Changes in Assumptions

There were not any changes in assumptions in 2020.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of Pension Contributions (Unaudited)
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 56,956	\$ 38,768	\$ 36,922	\$ 52,378	\$ 67,486	\$ 81,018
Contributions in relation to the statutorily required contribution	(56,956)	(38,768)	(36,922)	(52,378)	(67,486)	(81,018)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 616,092	\$ 508,495	\$ 675,421	\$ 574,843	\$ 539,866	\$ 519,102
Contributions as a percentage of its covered-employee payroll	9.24%	7.62%	5.47%	9.11%	12.50%	15.61%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Contributions

The Authority is required to pay an annual appropriation as established by the Massachusetts Contributory Retirement System. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance and an amount to amortize the actuarially determined unfunded liability to zero in accordance with adopted early retirement incentive programs.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of Changes in the Net OPEB Asset and Related Ratios (Unaudited)
For the Measurement Periods Ended June 30

Measurement Period	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Asset				
Service cost	\$ 28,000	\$ 27,884	\$ 26,817	\$ 25,786
Interest on the total OPEB liability	34,876	30,313	26,394	22,748
Differences between expected and actual experience		(70,807)		
Changes in assumptions		72,728		
Changes in benefit terms			(88)	
Benefit payments		(2,613)	(1,271)	(635)
Net change in OPEB liability	<u>62,876</u>	<u>57,505</u>	<u>51,852</u>	<u>47,899</u>
Total OPEB liability - beginning	435,097	377,592	325,740	277,841
Total OPEB liability - ending	<u>497,973</u>	<u>435,097</u>	<u>377,592</u>	<u>325,740</u>
Plan Fiduciary Net Position				
Contribution - employer			40,375	294,917
Net investment income	55,319	33,518	29,978	18,619
Benefit payments	(3,832)	(2,613)	(1,271)	(635)
Net change in plan fiduciary net position	<u>51,487</u>	<u>30,905</u>	<u>69,082</u>	<u>312,901</u>
Plan fiduciary net position - beginning	739,502	708,597	639,515	326,614
Plan fiduciary net position - ending	<u>790,989</u>	<u>739,502</u>	<u>708,597</u>	<u>639,515</u>
Net OPEB Asset - ending	<u>\$ (293,016)</u>	<u>\$ (304,405)</u>	<u>\$ (331,005)</u>	<u>\$ (313,775)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	158.84%	169.96%	187.66%	196.33%
Covered-employee payroll	\$ 618,112	\$ 597,210	566,116	530,858
Net OPEB asset as a percentage of covered-employee payroll	-47.41%	-50.97%	-58.47%	-59.11%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Significant assumptions and methods

For assumptions and methods used, see Note 11.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of OPEB Contributions (Unaudited)
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 12,574	\$ 10,489	\$ 11,387	\$ 25,163
Contributions in relation to the actuarially determined contribution	-	-	40,375	294,917
Contribution deficiency (excess)	<u>\$ 12,574</u>	<u>\$ 10,489</u>	<u>\$ (28,988)</u>	<u>\$ (269,754)</u>
Covered-employee payroll	\$ 618,112	\$ 588,761	\$ 566,116	\$ 530,858
Contributions as a percentage of its covered-employee payroll	0.00%	0.00%	7.13%	55.55%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

Significant assumptions and methods

For assumptions and methods used see Note 11.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of Investment Returns (Unaudited)
June 30, 2020

<u>Fiscal Year ended June 30,</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	4.44%	4.44%	4.44%	4.40%

Notes to Required Supplementary Information

Schedule Presentation

This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Schedule 1

STATEMENT OF COSTS (Unaudited)
JUNE 30, 2020
FORM 1

	Rural Area Service
Operating Costs	
Administrative costs (excluding depreciation)	\$ 226,032
Purchased services	
Fixed route	4,822,560
Demand response	474,598
Brokerage services	68,288
Debt Service	33,805
Total Operating Costs	<u>5,625,283</u>
Federal Operating Assistance	
FTA operating and administrative	1,443,222
Revenues	
Operating	
Farebox Revenue	1,259,917
Brokerage service reimbursement	68,288
Other third party reimbursement	112,853
Other Revenues	
Interest income	4,577
Miscellaneous - rent income	37,587
Total Other Revenues	<u>42,164</u>
Net Operating Deficit	2,698,839
Adjustments	
Reserve for extraordinary expense	28,104
Pension	<u>(42,863)</u>
	(14,759)
Net Cost of Service	2,684,080
Net Cost of Service Funding	
Local Assessments	960,235
State contract assistance	1,723,845
	<u><u>2,684,080</u></u>

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Schedule 2

Schedule of Costs-Calculation Worksheet and Supplementary Data (Unaudited)

June 30, 2020
Form 2

Proof calculations and other required information:

Prior year operating expenses, net of fully funded costs brokerage service	\$ 5,480,365
Allowable percentage increase	2.5%
Prior year, net operating expenses times 2.5%	<u>137,009</u>
Current year, allowable net operating expense	5,617,374
Plus: Brokerage service cost	68,288
Reduction to allowable	(60,379)
Total operating cost	<u><u>5,625,283</u></u>
Amount of extraordinary expenses	28,104
Prior year local assessment	<u>936,815</u>
Percentage of extraordinary to prior local assessments (not to exceed 3%)	3.00%
Aggregate amount of reserve account at June 30.	131,555
Prior year local assessment	<u>936,815</u>
Percentage of reserve account to prior local assessment (not to exceed 20%)	14.04%
State the management fee paid to major service providers as a percentage of operating costs incurred.	2.0%
State the percentage of benefits paid by RTA on behalf of RTA employees for:	
Group life and accidental death insurance	N/A
Group health insurance	75.0%
State the brokerage service contracts costs as a percentage of total operating costs.	1.2%
Stabilization Fund	
Aggregate balance	117,685

Schedule of Local (Towns) Funding (Unaudited)

June 30, 2020

<u>Community</u>	<u>Share</u>
Aquinnah	\$ 41,234
Chilmark	148,855
Edgartown	254,556
Oak Bluffs	141,992
Tisbury	240,587
West Tisbury	<u>133,011</u>
	<u>\$ 960,235</u>