

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a component Unit of the Massachusetts Department of Transportation)

Basic Financial Statements, Supplementary Data
June 30, 2020 and 2019

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

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

The Reporting Entity

The management of the Nantucket 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 (the Commonwealth) on April 15, 1986, by the town of Nantucket. This was done pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service on the island of Nantucket.

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, this 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. Further, 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 also included in the invested in capital 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 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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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JUNE 30, 2020

Condensed Financial Information

Statement of Net Position
(000 omitted)

	2020	2019	2018
Current assets	\$ 3,231	\$ 1,299	\$ 1,280
Capital assets, net	2,421	2,829	2,396
Restricted and other noncurrent assets	894	833	465
Total assets	<u>6,546</u>	<u>4,961</u>	<u>4,141</u>
Deferred outflows of resources	106	134	51
Total assets and deferred outflows of resources	<u>6,652</u>	<u>5,095</u>	<u>4,192</u>
Restricted and noncurrent liabilities	2,425	1,255	858
Current liabilities	991	193	87
Total liabilities	<u>3,416</u>	<u>1,448</u>	<u>945</u>
Deferred inflows of resources	118	114	68
Total liabilities and deferred inflows of resources	<u>3,534</u>	<u>1,562</u>	<u>1,013</u>
Net position			
Invested in capital assets	2,421	2,829	2,396
Restricted	229	199	183
Unrestricted	468	505	600
Total net position	<u>\$ 3,118</u>	<u>\$ 3,533</u>	<u>\$ 3,179</u>

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

	2020	2019	2018
Operating revenues			
Transportation services	\$ 480	\$ 669	\$ 526
Operating expenses			
Cost of services, maintenance and administration	2,809	2,846	2,025
Depreciation	592	558	522
	<u>3,401</u>	<u>3,404</u>	<u>2,547</u>
Operating loss	<u>(2,921)</u>	<u>(2,735)</u>	<u>(2,021)</u>
Nonoperating revenues			
Operating assistance	2,322	2,089	1,479
	<u>2,322</u>	<u>2,089</u>	<u>1,479</u>
Loss before capital contribution	<u>(599)</u>	<u>(646)</u>	<u>(542)</u>
Capital contributions	184	1,000	206
	<u>184</u>	<u>1,000</u>	<u>206</u>
Change in net position	<u>(415)</u>	<u>354</u>	<u>(336)</u>
Net position			
Beginning of year	3,533	3,179	3,515
End of year	<u>\$ 3,118</u>	<u>\$ 3,533</u>	<u>\$ 3,179</u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
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 \$241,000, due to a significant decrease in ridership in the last four months of the current year. Further, certain Covid-19 related expenses of approximately \$29,000 were incurred (e.g., 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 \$918,000 of which \$270,000 was used to fully fund 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 \$3,118,000.

The Authority's net position decreased by \$415,000 during the current year. This was due to an operating loss of \$2,921,000, less operating assistance income of \$2,322,000 and capital contributions of \$184,000.

The Authority's total assets and deferred outflows of resources increased in 2020 versus 2019 by \$1,557,000 (30.6%).

Total current assets increased by \$1,932,000 (148.7%). This was caused by increases in proceeds from revenue anticipation notes of \$ 1,207,000, receivables for operating assistance of \$706,000 and an increase in other current assets of \$ 19,000.

Total net capital assets decreased \$408,000 (14.4%). This was caused by the net effect of capital acquisitions of \$184,000 and depreciation of \$592,000.

Total debt increased by \$1,968,000 (135.9%). This was caused by increases in current accounts payable and accrued expense of \$49,000, notes payable of \$1,927,000 less a decrease in other liabilities of \$8,000.

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

Revenues

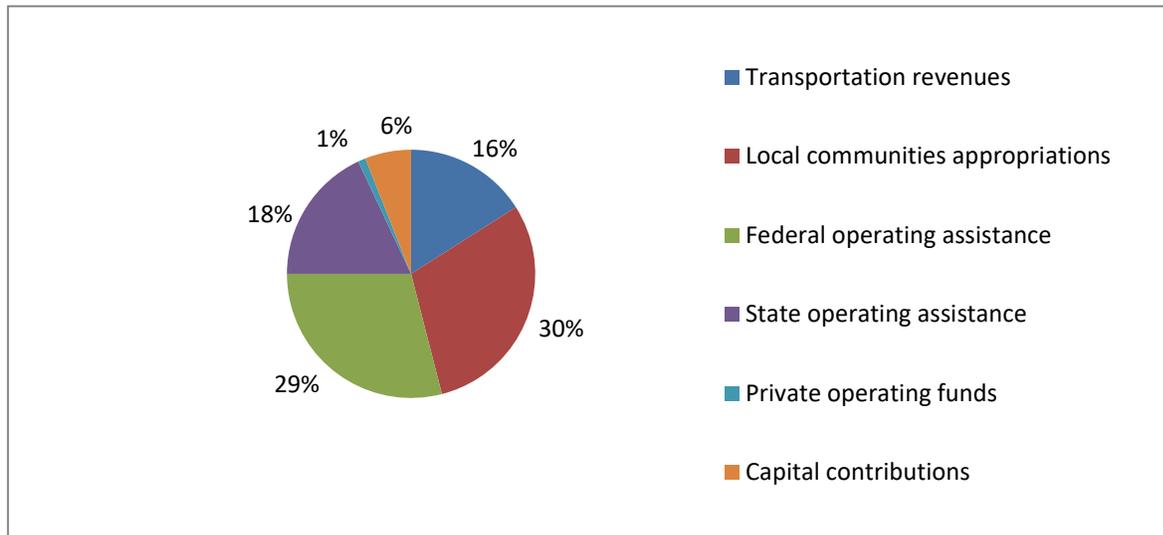
Total transportation service revenue decreased by \$189,000 (28.3%). This was caused by decreases in farebox revenue of \$164,000 and rent of \$25,000. Both decreases were the result of actions taken to mitigate the effect of the Coronavirus (Covid-19) pandemic.

Total operating assistance grants increased in 2020 versus 2019 by \$233,000 (11.2%). This was caused primarily by CARES Act funding.

Total capital contributions decreased in 2020 versus 2019 by \$816,000 (81.6%). This was caused primarily by a decrease in State capital grant funding.

The change in net position decreased in 2020 versus 2019 by \$769,000 (217.2%). This was caused by increases in the operating assistance of \$233,000, less a decrease in capital assistance of \$816,000 and an increase in operating loss of \$186,000.

Revenues by source:



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

Operating Expenses

Total operating expenses decreased in 2020 versus 2019 by \$3,000.

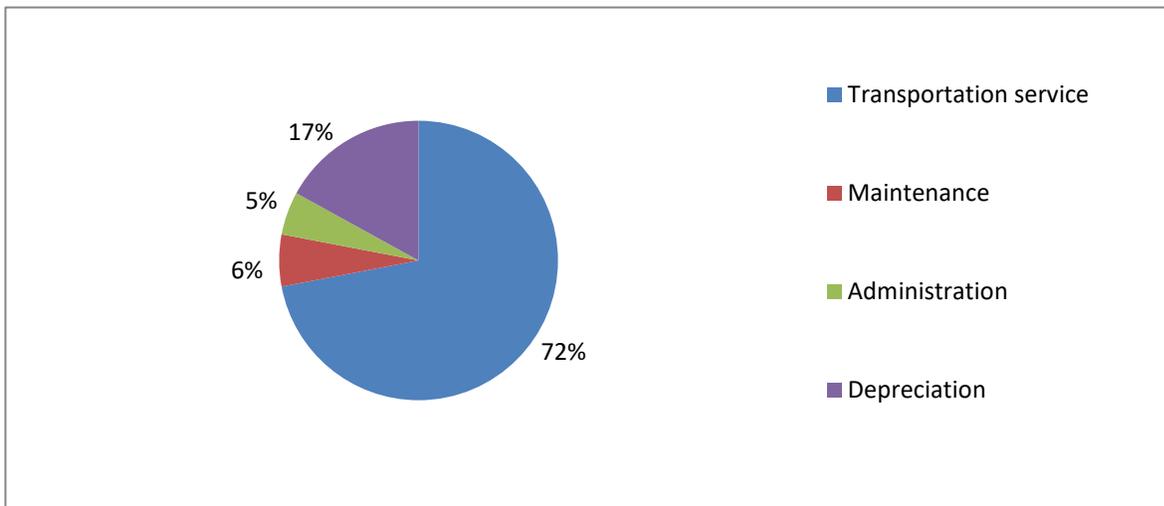
The cost of transportation service decreased in 2020 versus 2019 by \$36,000 (1.3%). This was also caused primarily by the reduction in service related to the Covid-19 pandemic.

Maintenance expense and administrative expense decreased in 2020 versus 2019 by \$1,000.

Depreciation expense increased in 2020 versus 2019 by \$34,000 (6.1%). 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.

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

Expenses by source:



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FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2019 and 2018

The assets of the Authority exceeded its liabilities at June 30, 2019 by \$3,533,000.

The Authority's net position increased by \$354,000. This was due to an operating loss of \$2,735,000, less operating assistance income of \$2,089,000 and capital contributions of \$1,000,000.

The Authority's total assets and deferred outflows of resources increased in 2019 versus 2018 by \$903,000 (21.5%).

Total current assets increased by \$19,000 (1.4%).

Total net capital assets increased \$433,000 (18.1%). This was caused by the net effect of capital acquisitions of \$1,000,000 and depreciation of \$558,000 and removals of \$9,000.

Total debt increased by \$503,000 (53.2%). This was caused by a increases in current accounts payable and accrued expense of \$106,000, pension and OPEB liabilities of \$117,000, notes payable of \$375,000 less a decrease in liabilities payable from restricted assets of \$95,000.

Deferred inflows of resources increased by \$46,000 (67.6%). This was caused by an increase in deferred inflows related to OPEB of \$73,000, less a decrease of \$27,000 related to pensions.

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

Revenues

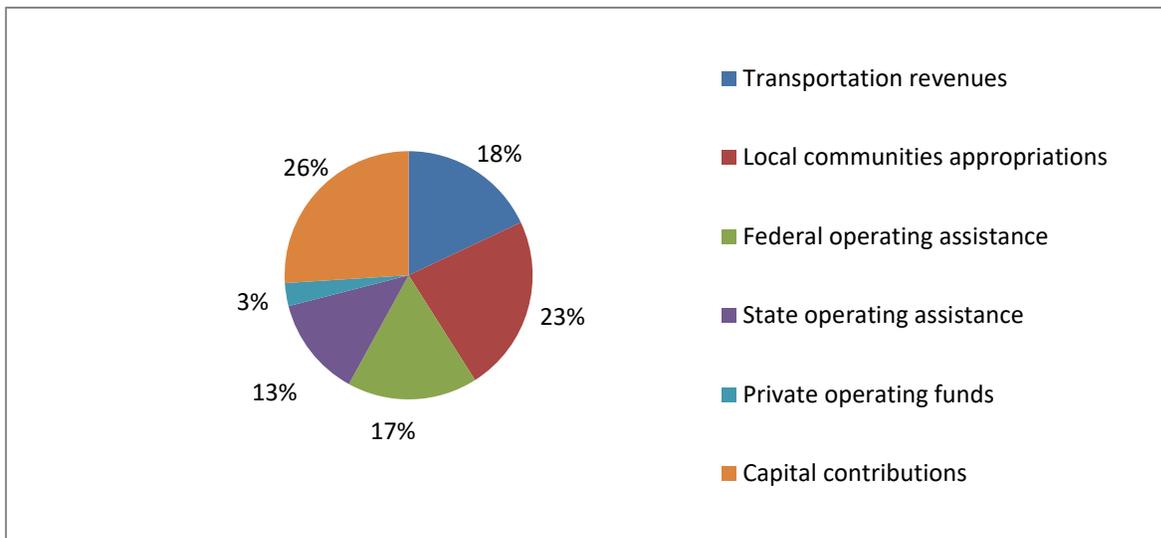
Total operating revenue increased by \$143,000 (27.2%). This was caused by an increase in farebox revenue of \$146,000, less a decrease in rent of \$3,000.

Total operating assistance grants increased in 2019 versus 2018 by \$610,000 (41.2%). This was caused by an increase in Federal and State assistance of \$88,000, local assistance of \$446,000 and other funding of \$76,000.

Total capital contributions increased in 2019 versus 2018 by \$794,000 (385.4%). This was caused primarily by an increase in State capital grant funding.

The change in net position increased in 2019 versus 2018 by \$690,000 (205.4%). This was caused by increases in the operating assistance of \$610,000 and capital assistance of \$794,000, less an increase in operating loss of \$714,000.

Revenues by source:



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

Operating Expenses

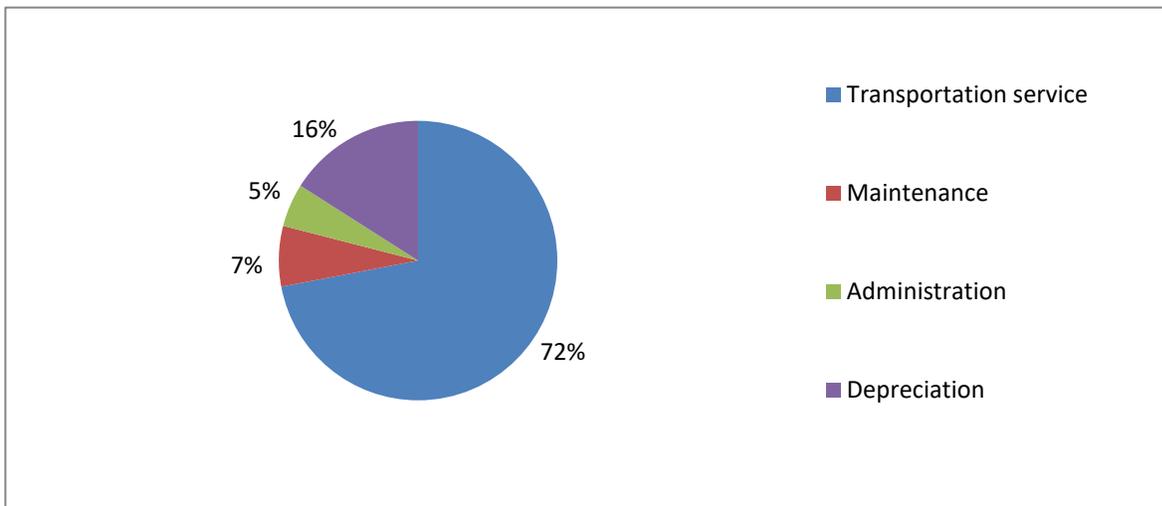
Total operating expenses increased in 2019 versus 2018 by \$857,000 (33.6%). This was caused primarily by the implementation of the year round fixed route bus service.

The cost of transportation service increased in 2019 versus 2018 by \$746,000 (43.3%). This was also caused by the implementation of the year round fixed route bus service.

Maintenance expense and administrative expense increased in 2019 versus 2018 by \$56,000 (33.7%).

Depreciation expense increased in 2019 versus 2018 by \$36,000 (6.9%). 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.

Expenses by source:



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Capital Assets

The Authority's capital assets as of June 30, 2020, amounted to \$2,421,000, net of accumulated depreciation. The Authority's investment in capital assets includes buildings and structures, vehicles, office and maintenance equipment, and intangible assets. During 2020, the Authority invested \$184,000 in various capital assets. Capital asset additions were funded through State capital grants.

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

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, 38%, from operating assistance from MassDOT and 62% by assessments to the member community.

Demand for the Authority's services is mainly affected by the overall economic activity on Nantucket, 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 previously. 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 \$648,000; 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 are as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Farebox revenue	\$468,000	\$609,000	\$443,000
Other revenue	58,000	60,000	37,000

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 Paula Leary, Administrator, Nantucket Regional Transit Authority, 20 R South Water Street, Nantucket, MA 02554.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Advisory Board
Nantucket Regional Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Nantucket 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 – ix and the required supplementary information schedules on pages 26 through 29 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 30 and 31 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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 29, 2020

NANTUCKET 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	\$ 1,307,290	\$ 100,352
Receivable for operating assistance	1,732,910	1,027,460
Other current assets	190,381	171,036
Total current assets	<u>3,230,581</u>	<u>1,298,848</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	197,839	171,880
Receivable capital assistance	54,001	58,078
Total restricted assets	<u>251,840</u>	<u>229,958</u>
Receivable for operating assistance	642,489	602,595
Capital assets, net	2,420,898	2,829,420
Total restricted and noncurrent assets	<u>3,315,227</u>	<u>3,661,973</u>
Total assets	6,545,808	4,960,821
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to OPEB	53,511	67,161
Deferred outflows of resources related to pension	52,865	66,579
	<u>106,376</u>	<u>133,740</u>
Total assets and deferred outflows of resources	<u>6,652,184</u>	<u>5,094,561</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	211,327	192,823
Unearned revenue	30,000	
Notes payable	750,031	
Total current liabilities	<u>991,358</u>	<u>192,823</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable and accrued expense	22,954	31,305
Total liabilities payable from restricted assets	<u>22,954</u>	<u>31,305</u>
Net pension liability	430,548	452,305
Other postemployment benefits	419,323	396,538
Notes payable less current portion	1,552,365	375,000
Total restricted and noncurrent liabilities	<u>2,425,190</u>	<u>1,255,148</u>
Total liabilities	3,416,548	1,447,971
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to OPEB	88,035	109,234
Deferred inflows of resources related to pension	29,405	4,328
Total deferred inflows of resources	<u>117,440</u>	<u>113,562</u>
Total liabilities and deferred inflows of resources	<u>3,533,988</u>	<u>1,561,533</u>
NET POSITION		
Invested in capital assets	2,420,898	2,829,420
Restricted	228,886	198,653
Unrestricted	468,412	504,955
Total net position	<u>\$ 3,118,196</u>	<u>\$ 3,533,028</u>

See accompanying notes to financial statements

NANTUCKET 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	\$ 455,606	\$ 620,000
Rent income	24,250	48,500
	479,856	668,500
Operating expenses		
Transportation service	2,432,253	2,467,736
Maintenance	213,899	222,214
General and administration	162,679	156,214
	2,808,831	2,846,164
Depreciation expense	592,405	557,732
	3,401,236	3,403,896
Operating loss	(2,921,380)	(2,735,396)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	885,024	625,487
Commonwealth of Massachusetts	548,326	488,184
Local	886,922	865,290
Private Funding	38,100	118,662
Interest expense	(35,707)	(8,497)
	2,322,665	2,089,126
Loss before capital contributions	(598,715)	(646,270)
Capital contributions		
Commonwealth of Massachusetts capital assistance grants	183,883	1,000,132
	183,883	1,000,132
Change in net position	(414,832)	353,862
Net position		
Beginning of year	3,533,028	3,179,166
End of year	\$ 3,118,196	\$ 3,533,028

NANTUCKET 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		
Transportation services	\$ 479,856	\$ 668,500
Payments to vendors and suppliers	(2,495,502)	(2,372,851)
Payments to employees	(214,313)	(214,368)
Payments of fringe	<u>(82,510)</u>	<u>(99,669)</u>
Net cash used in operations	<u>(2,312,469)</u>	<u>(2,018,388)</u>
Cash flows from noncapital financing activities		
Proceeds from direct financing note	400,000	200,000
Repayment of direct financing note	(150,000)	(200,000)
Proceeds from revenue anticipation notes	2,052,952	375,000
Repayment of revenue anticipation notes	(375,000)	
Operating assistance grants	1,574,928	1,457,974
Private funding	60,000	60,715
Interest expense	<u>(16,139)</u>	<u>(943)</u>
Net cash provided by noncapital financing activities	<u>3,546,741</u>	<u>1,892,746</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(192,234)	(1,048,924)
Capital contributions		
Massachusetts Department of Transportation capital appropriations	<u>187,961</u>	<u>1,033,974</u>
Net cash used in capital and related financing activities	<u>(4,273)</u>	<u>(14,950)</u>
Cash flows from investing activities		
Interest income	<u>2,898</u>	<u>6,302</u>
Net cash provided by investing activities	<u>2,898</u>	<u>6,302</u>
Net increase (decrease) in cash and cash equivalents	1,232,897	(134,290)
Cash and cash equivalents at beginning of year	<u>272,232</u>	<u>406,522</u>
Cash and cash equivalents at end of year	<u>\$ 1,505,129</u>	<u>\$ 272,232</u>
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (2,921,380)	\$ (2,735,396)
Adjustments to reconcile the operating loss to net cash used in operating activities:		
Depreciation expense	592,405	557,732
Other post employment benefits	15,236	59,786
Pension expense	17,034	20,198
Changes in assets and liabilities:		
Other assets	(11,245)	(32,735)
Accounts payable and accrued expense	<u>(4,519)</u>	<u>112,027</u>
Net cash used in operations	<u>\$ (2,312,469)</u>	<u>\$ (2,018,388)</u>
Supplemental disclosures of noncash transactions		
Decrease in accounts payable related to capital expenditures	\$ (8,351)	\$ (48,792)

NANTUCKET 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 Nantucket 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 April 15, 1986, by the Town of Nantucket, the sole member community of the Authority. This was done 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 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 of the Town of Nantucket. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from Federal and State governments and the Town of Nantucket. In addition, the Authority receives Federal and State capital grants that are used to finance acquisitions of and improvements to facilities and equipment.

The Authority provides fixed route bus services to the general public and demand response services to the elderly and to individuals with disabilities. The operation of these services is performed by a private sector operator (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 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 \$241,000, due to a significant decrease in ridership in the last four months of the current year. Further, certain Covid-19 related expenses of approximately \$29,000 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 \$918,000 of which \$270,000 was used to fully fund 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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2020 and 2019

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 provided by third party vendors, 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	4 – 10
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 asset acquisition and other expenses.

j) Postemployment Benefits – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Barnstable County Post-Employment Welfare Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as reported by the Plan. For this purpose, the Plan 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 restricted resources.

l) Unearned Revenue – Unearned revenue consists primarily of receipts received to fund future Authority operations. Such amounts are recognized as revenue in subsequent periods as they are earned.

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 Barnstable County Retirement Association (BCRA) and additions to/deductions from the BCRA's fiduciary net position have been determined on the same basis as they are reported by BCRA. 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 of one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. For fiscal 2020, the Authority has reported deferred outflows and inflows that are related to its pension and OPEB plans.

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

p) Investments – Investments consist of short term investments in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool that is overseen by the Massachusetts State Treasurer. MMDT is recorded at its net asset value per share (NAV) which is equal to \$1.00 per share.

3. Cash, Cash Equivalents and Investments

The essential risk information associated with the Authority's deposits and investments is as follows:

a) Investment Policy

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, and units of the MMDT.

b) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority's deposits may 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 Federal Depository Insurance Corporation (FDIC) and Massachusetts Depositors Insurance Fund (DIF) insured or are collateralized with securities held by the pledging financial institution's trust department or agent in the pledging financial institution's name.

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2020 and 2019 are fully insured by the FDIC or DIF.

c) Interest Rate Risk

As of June 30, 2020, the Authority's primary short-term investment was in the State Treasurer's Investment Pool, MMDT. The fair value of this investment was \$154,330, and its average maturity is less than one year.

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3. Cash, Cash Equivalents and Investments (continued)

d) Credit Risk

As of June 30, 2020, the Authority's investment in the MMDT was not rated.

e) Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Due to the fact, the MMDT is measured at net asset value, it is not required to be measured within the fair value hierarchy described above.

f) Liquidity

MMDT does not place any limitations or restrictions on participant withdrawals.

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 asset - cash and cash equivalents	\$ 1,307,290	\$ 100,352
Restricted assets - cash and cash equivalents	197,839	171,880
	<u>\$ 1,505,129</u>	<u>\$ 272,232</u>

Restricted cash is segregated from operating cash due to being restricted for the reserve for extraordinary expense and the stabilization fund.

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 Act (MAP-21), of 2012 and the Fixing America's Surface Transportation Act (FAST), of 2015. Further, MassDOT, the Town of Nantucket and certain private entities 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 disaggregated as follows:

	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Operating assistance		
United States Department of Transportation -		
Pass-through grants through the Commonwealth		
Operating grants		
Rural area assistance	\$ 614,837	\$ 608,950
CARES Act assistance	270,187	
Local operating assistance to be billed to		
the Towns constituting the Authority and		
paid by the Commonwealth to the Authority	<u>1,490,375</u>	<u>1,021,105</u>
Total operating assistance	2,375,399	1,630,055
Less noncurrent portion	<u>(642,489)</u>	<u>(602,595)</u>
Total current operating assistance	<u><u>\$ 1,732,910</u></u>	<u><u>\$ 1,027,460</u></u>
 <u>Noncurrent</u>		
Capital assistance		
Commonwealth of Massachusetts	<u>\$ 54,001</u>	<u>\$ 58,078</u>
Total capital assistance	<u><u>\$ 54,001</u></u>	<u><u>\$ 58,078</u></u>

6. Other Current Assets

The other current asset balance includes a motor vehicle parts and fuel inventory for 2020 and 2019 of approximately \$17,000 in both years. 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:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets				
Building and structures	\$ 1,479,103	\$ 57,401	\$ -	\$ 1,536,504
Vehicles	4,719,180	49,828		4,769,008
Equipment	448,505	5,085		453,590
Intangible asset	184,499	71,569		256,068
Subtotal	<u>6,831,287</u>	<u>183,883</u>	<u>-</u>	<u>7,015,170</u>
Accumulated depreciation	<u>4,001,867</u>	<u>592,405</u>		<u>4,594,272</u>
Net depreciable and net capital assets	<u>\$ 2,829,420</u>	<u>\$ (408,522)</u>	<u>\$ -</u>	<u>\$ 2,420,898</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets				
Building and structures	\$ 745,722	\$ 754,534	\$ 21,153	\$ 1,479,103
Vehicles	4,618,130	103,520	2,470	4,719,180
Equipment	355,861	100,509	7,865	448,505
Intangible asset	165,930	41,569	23,000	184,499
Subtotal	<u>5,885,643</u>	<u>1,000,132</u>	<u>54,488</u>	<u>6,831,287</u>
Accumulated depreciation	<u>3,490,127</u>	<u>557,732</u>	<u>45,992</u>	<u>4,001,867</u>
Net depreciable and net capital assets	<u>\$ 2,395,516</u>	<u>\$ 442,400</u>	<u>\$ 8,496</u>	<u>\$ 2,829,420</u>

Depreciation expense for 2020 and 2019 was \$592,405 and \$557,732, respectively.

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8. Notes Payable

Revenue Anticipation Note

At June 30, 2020, the Authority had \$2,052,396 of revenue anticipation notes (RANs) outstanding. The interest rates shown below are net interest cost.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2.4500% Revenue Anticipation Note	\$ 375,000	\$ -	\$ 375,000	\$ -
2.1752% Revenue Anticipation Note, due July 30, 2020		500,372	341	500,031
1.1331% Revenue Anticipation Note, due May 28, 2021		1,552,580	215	1,552,365
Total	<u>375,000</u>	<u>2,052,952</u>	<u>375,556</u>	<u>2,052,396</u>
Less current portion				(500,031)
Long-term portion				<u>\$ 1,552,365</u>

The RANs outstanding at June 30, 2020, are guaranteed by the Commonwealth of Massachusetts and are inclusive of unamortized premium. The interest rates delineated above are net interest costs.

The RAN for \$1,552,365 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.

Direct Borrowing

The Authority has a revolving line of credit with its bank with a maximum credit limit of \$450,000. During the current year the following activity occurred:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
3.50% Demand Note Payable	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 150,000</u>	<u>\$ 250,000</u>

The loan was obtained to finance a short-term cash flow problem.

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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 for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expendable		
Restricted for capital assets	\$ 31,047	\$ 26,773
Nonexpendable		
Restricted by enabling legislation		
Stabilization fund	92,091	92,091
Reserve for extraordinary expense	105,748	79,789
	197,839	171,880
	\$ 228,886	\$ 198,653

10. Leases

Operating lease

At June 30, 2020, the Authority has a noncancelable operating lease commitment with terms in excess of one year.

The future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	22,512
2022	22,512
2023	22,512
2024	22,512
2025	22,512
2026 - 2028	50,652
	\$ 163,212

Aggregate rental expense was \$47,714 and \$48,930 in 2020 and 2019, respectively. The lessor related to this rental expense is the Town of Nantucket, a related party.

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11. Employees' Retirement Benefits

Pension Plan

General Information about the Pension Plan

Plan Description – The Authority provides employees retirement benefits through the Barnstable County Retirement Association (BCRA). The Plan is a cost-sharing, multiple-employer, 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 BCRA 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 750 Attucks Lane, Hyannis, MA 02601.

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.

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 between 5% and 11% of their covered compensation, depending on plan entry date. The Authority's statutory required contribution rate for the year ended June 30, 2020, was 21.41% 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 \$38,569 for the year ended June 30, 2020.

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

At June 30, 2020 and 2019, the Authority reported a liability of \$430,548 and \$452,305, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 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 December 31, 2019, the Authority's proportion of net pension liability was .057 percent.

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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)

For the year ended June 30, 2020 and 2019, the Authority recognized pension expense of \$55,603 and \$56,837, respectively, 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>
Differences between actual and expected experience	\$ -	\$ 3,629
Net difference between expected projected and actual investment income		25,730
Changes in assumptions	50,054	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,811	46
Total deferred outflows and inflows of resources	<u>\$ 52,865</u>	<u>\$ 29,405</u>

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	\$ 6,454
2022	5,980
2023	12,242
2024	(5,873)
2025	4,657
	<u>\$ 23,460</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)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of January 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

Actuarial cost method	Entry age normal cost method
Inflation	3.25%
Salary increases	3.25%
Investment rate of return/ discount rate	7.15%
Cost of living adjustments	3.0 percent of first \$18,000
Mortality rates:	
Pre-retirement	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period of January 1, 2019 through December 31, 2019.

Investment policy – The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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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)

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 returns 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 and subtracting expected investment expenses and a risk margin. The target allocation and projected 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	21.00%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge fund, GTAA, Risk parity	11.00%	3.19%
Private equity	13.00%	9.99%
Total	<u>100.00%</u>	

Discount rate – The discount rate used to measure the total pension liability was 7.5 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 rates, actuarially determined. For this purpose, only employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries as well as projected contributions from future plan members, are not included. 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.

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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)

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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Discount Rate <u>7.15%</u>	1% Increase <u>(8.15%)</u>
Authority's proportionate share of the net pension liability	\$ 566,193	\$ 430,548	\$ 316,591

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

Other Postemployment Benefits (OPEB)

Plan Description - The Authority has established a plan to provide postemployment healthcare benefits through the Barnstable County Postemployment Welfare Benefit Plan. The Plan provides benefits to eligible employees (1) hired before April 2, 2012, who render at least 10 years of service and attain age 55, while in service, or 20 years of service at any age, until the employee is eligible for Medicare and (2) hired on or after April 2, 2012, who render at least 10 years of service are eligible at age 60, while in service until the employee is eligible for Medicare. The benefits, benefit level, employee contributions, and employer contributions are governed by the Authority. At June 30, 2020, membership consisted of 2 active plan members and 0 retired plan members.

Benefits Provided – Medical coverage under the group health insurance plan for regular full-time employees will continue until the employee is eligible for Medicare. Coverage for the dependents of such regular full-time employees will also continue during this period provided that the employee pay 25% of the enrollment cost as established annually by the Plan administrator. Once the retired employee is entitled to Medicare, health care coverage for the employee's spouse will continue as provided for under COBRA, provided that the employee pay 100% of the enrollment costs as established annually by the Plan administrator. The retired employee must pay 25% of the enrollment cost (the "working rate") as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs on a fully funded basis.

Contributions – Contributions are voluntary and determined by the Authority. Presently, contributions are on a pay-as-you-go basis. For years ended June 30, 2020 and 2019, the Authority did not make any contributions to the Plan.

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11. Employees' Retirement Benefits (continued)

Other Postemployment Benefits (OPEB)

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation and the related update to June 30, 2020 (the measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement: the entry age normal cost method, an inflation rate of 2.75%, a 2.75% discount rate, projected salary increase of 3% annually, a long-term healthcare cost trend rate of 4.5% per year and mortality projected for both males and females using the RP-2014 Mortality Table projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 through June 30, 2018.

The development of a long-term expected rate of return on OPEB plan investments does not apply, due to the fact that there are not any invested assets.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.75%. This discount rate approximates the prevailing municipal bond rate of 2.79% for the Authority's unfunded periods.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance as reported 6/30/2019	\$ 396,538	\$ -	\$ 396,538
Changes for the year:			
Service Cost	17,229		17,229
Interest	11,300		11,300
Contribution - employer	(5,744)	5,744	-
Administration expense		(5,744)	(5,744)
Net changes	22,785	-	22,785
Balance at 6/30/2020	<u>\$ 419,323</u>	<u>\$ -</u>	<u>\$ 419,323</u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2020 and 2019

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2020:

	<u>1% Decrease</u> <u>(1.75%)</u>	<u>Discount Rate</u> <u>(2.75%)</u>	<u>1% Increase</u> <u>(3.75%)</u>
Net OPEB Liability	\$ 492,259	\$ 419,323	\$ 363,328

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability calculated using the current healthcare cost trend rates that are 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current healthcare cost trend rates for the measurement period ended June 30, 2020:

	<u>1% Decrease</u> <u>3.5%</u>	<u>Current Rate</u> <u>4.5%</u>	<u>1% Increase</u> <u>Rate 5.5%</u>
Net OPEB Liability	\$ 348,886	\$ 419,323	\$ 509,148

Net OPEB Liability, OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Authority reported a net OPEB liability of \$419,323, OPEB expense of \$20,980 and reported deferred outflows of resources and deferred inflows of resources related OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 65,204
Changes in assumptions	<u>53,511</u>	<u>22,831</u>
Total	<u>\$ 53,511</u>	<u>\$ 88,035</u>

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

<u>Year</u>	
2021	\$ (7,549)
2022	(7,549)
2023	(7,549)
2024	(7,310)
Thereafter	<u>(4,567)</u>
	<u>(34,524)</u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
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June 30, 2020 and 2019

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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 Director of Finance/Treasurer, Barnstable County Superior Court House, P.O. Box 427, Barnstable, MA 02630.

12. Commitments and Contingencies

- a) 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.
- b) 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; and natural disasters. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverages 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.

- c) Purchase Commitments – The Authority does not have any material purchase commitments at June 30, 2020.

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. For fiscal years 2020 and 2019, the Authority increased the reserve by \$25,959 and none, respectively. The aggregate reserve balance at June 30, 2020 and 2019 was \$105,748 and \$79,789, respectively.

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2020 and 2019

14. Subsequent Events

Subsequent to June 30, 2020, the Authority paid off a \$500,000 revenue anticipation note and a \$250,000 demand note payable to bank. The notes were not refinanced.

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 \$648,000; 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 29, 2020, when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

15. 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) salary for fiscal year 2020 was \$104,992. In addition, the CEO is in a (1) health insurance plan contributing 10% of the premium, (2) a pension plan contributing 10% of regular salary and (3) a group life insurance plan contributing 50% of the premium.

Advisory Board members and related officers do not receive compensation.

NANTUCKET 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	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%
Authority's proportionate share of the net pension liability	\$ 430,548	\$ 452,305	\$ 389,444	\$ 401,799	\$ 359,774	\$ 322,696
Authority's covered-employee payroll	\$ 176,248	\$ 169,888	\$ 162,906	\$ 161,804	\$ 158,446	\$ 149,925
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	244.29%	266.24%	239.06%	248.32%	227.06%	215.24%
Plan fiduciary net position as a percentage of the total pension liability	62.34%	57.63%	61.86%	57.28%	58.10%	60.43%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2019.

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 Assumption

The net investment assumption was lowered to 7.15% from 7.375%.

NANTUCKET 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>
Statutory required contribution	\$ 37,732	\$ 36,639	\$ 34,789	\$ 33,027	\$ 31,438	\$ 30,338
Contributions in relation to the actuarially required contribution	(38,569)	(36,639)	(34,789)	(33,027)	(31,438)	(30,338)
Contribution deficiency (excess)	<u>\$ (837)</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 176,248	\$ 169,888	\$ 162,906	\$ 161,804	\$ 158,446	\$ 149,925
Contributions as a percentage of its covered-employee payroll	21.88%	21.57%	21.36%	20.41%	19.84%	20.24%

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

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the Plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of Changes in the Net OPEB Liability 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 Liability				
Service cost	\$ 17,229	\$ 16,490	\$ 16,747	\$ 16,747
Interest on the total OPEB liability	11,300	14,316	11,015	11,015
Changes in assumptions		80,811		(41,095)
Differences between actual and expected experience		(96,883)		
Contribution	(5,744)		(1,587)	(1,587)
Net change in OPEB liability	<u>22,785</u>	<u>14,734</u>	<u>26,175</u>	<u>(14,920)</u>
Total OPEB liability - beginning	<u>396,538</u>	<u>381,804</u>	<u>355,629</u>	<u>370,549</u>
Total OPEB liability - ending	<u>419,323</u>	<u>396,538</u>	<u>381,804</u>	<u>355,629</u>
Plan Fiduciary Net Position				
Contribution - employer	5,744	-	1,587	1,587
Administration expense	(5,744)	-	(1,587)	(1,587)
Net change in plan fiduciary net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability - ending	<u>\$ 419,323</u>	<u>\$ 396,538</u>	<u>\$ 381,804</u>	<u>\$ 355,629</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	168,838	156,971	162,906	161,804
Net OPEB liability as a percentage of covered-employee payroll	248.36%	252.62%	234.37%	219.79%

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.

Changes in assumptions from last actuarial valuation

The discount rate changed from 3.58% to 2.75%, the expected long-term medical trend was updated to 4.50%, and the mortality table was updated to the RP-2014 Mortality Table projected generationally with scale MP-2016 for both males and females.

NANTUCKET 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>
Actuarilly determined contribution	\$ 36,288	\$ 35,549	\$ 1,587	\$ 1,587
Contributions in relation to the actuarilly determined contribution	5,744	-	1,587	1,587
Contribution deficiency (excess)	<u>\$ 30,544</u>	<u>\$ 35,549</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 168,838	\$ 156,971	\$ 162,906	\$ 161,804
Contributions as a percentage of its covered-employee payroll	3.40%	0.00%	0.97%	0.98%

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.

Changes in assumptions from last actuarial valuation

The discount rate changed from 3.58% to 2.75%, the expected long-term medical trend was updated to 4.50%, and the mortality table was updated to the RP-2014 Mortality Table projected generationally with scale MP-2016 for both males and females.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule 1

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

	<u>Rural Area Service</u>
Operating Costs	
RTA administrative costs (excluding depreciation)	\$ 162,679
Purchased services	
Fixed route	2,407,035
Demand response	239,117
Debt Service	<u>38,606</u>
Total Operating Costs	<u>2,847,437</u>
Federal Operating Assistance	
FTA operating and administrative	885,024
Revenues	
Operating	
Farebox Revenue	443,178
Other third party reimbursement	38,100
Other Revenues	
Advertising	300
Interest income	2,899
Rental income	24,250
Miscellaneous	<u>12,127</u>
Total Other Revenues	<u>39,576</u>
Net Operating Deficit	1,441,559
Adjustments	
Reserve for extraordinary expense	25,959
Pension and OPEB	<u>(32,270)</u>
Total Adjustments	<u>(6,311)</u>
Net Cost of Service	1,435,248
Net Cost of Service Funding	
Local Assessments	886,922
State contract assistance	<u>548,326</u>
	<u><u>1,435,248</u></u>

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule 2

Statement 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	\$ 2,855,580
Allowable percentage increase	2.5%
Prior year, net operating expenses times 2.5%	<u>71,390</u>
Current year, allowable net operating expense	2,926,970
Less adjustments	
Reduction to allowable	<u>(79,533)</u>
Total operating cost	<u><u>2,847,437</u></u>
Amount of extraordinary expenses	25,959
Prior year local assessment	<u>865,290</u>
Percentage of extraordinary expense to prior local assessment (not to exceed 3%)	3.0%
Aggregate amount of reserve account at June 30.	105,748
Prior year local assessment	<u>865,290</u>
Percentage of reserve account to prior local assessment (not to exceed 20%)	12.2%
State the management fee paid to major service providers as a percentage of operating costs incurred.	6.50%
State the percentage of benefits paid by RTA on behalf of RTA employees for:	
Group life and accidental death insurance	50.0%
Group health insurance	90.0%
Stabilization Fund	
Current year	
Aggregate balance	92,091