

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

ANNUAL FINANCIAL STATEMENTS

Year Ended June 30, 2021

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

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the Southeastern Regional Transit Authority
New Bedford, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Southeastern Regional Transit Authority ("the Authority") as of and for the year ended June 30, 2021, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the Southeastern Regional Transit Authority, as of June 30, 2021, 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.

Continued

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain pension and other post-employment information, as outlined in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison, the statement of revenue and cost of service, and the statement of unreimbursed cost of service are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison, the statement of revenue and cost of service, and the statement of unreimbursed cost of service have not been subjected to the auditing procedures applied in the audit 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 September 28, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Hague, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts
September 28, 2021

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

Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

The Authority's discussion and analysis of Southeastern Regional Transit Authority's financial performance provides an overview of the Authority's financial activities for the years ended June 30, 2021 and June 30, 2020. This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. The summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the Authority's revenues and expenses.

Please read this management discussion and analysis in conjunction with the Authority's basic financial statements, which begin on page 11.

FINANCIAL Highlights:

- Total operating revenue decreased from \$2,073,848 in fiscal year 2020 to \$452,434 in fiscal year 2021 (a 78.2% decrease). The decrease is due to the economic effects of the COVID-19 pandemic. On March 17, 2020, the Commonwealth of Massachusetts issued a stay at home order, which effected 4th quarter fiscal year 2020 ridership for both fixed route and paratransit. The COVID-19 pandemic continued to effect fiscal year 2021, as once the stay at home order was lifted, the Authority did not collect farebox revenues until the 4th quarter of fiscal year 2021.
- Total operating expenses increased from \$23,881,835 in fiscal year 2020 to \$24,754,894 in fiscal year 2021 (a 3.7% increase).
- Operating assistance from the Commonwealth increased \$542,595, which includes one-time discretionary awards for pilot programs during fiscal year 2021 and Federal operating assistance increased \$1,983,748 during fiscal year 2021 versus fiscal year 2020
- During fiscal years 2020 and 2021, the Authority received Federal CARES Act operating assistance under 49 USC Section 5307 direct funding. The Federal CARES Act 5307 funding expended by the Authority during fiscal 2020 totaled \$3,772,733 and was used to cover eligible operating expenses and costs incurred in response to COVID-19 beginning on January 20, 2020. CARES Act funding expended by the Authority during fiscal year 2021 totaled \$10,312,803. Total funding awarded was \$21,043,483.
- Capital assistance from the Commonwealth increased \$1,448,399 during fiscal year 2021 and Federal capital assistance decreased \$1,317,046 during fiscal year 2021 versus fiscal year 2020.

Using the Annual Report:

This annual report consists of four parts - *management discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and *supplementary information*.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special purpose government engaged in only business-type activities.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position, the statement of activities and the statement of cash flows. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position of Southeastern Regional Transit Authority. The statement of net position presents the assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. The statement of activities shows in broad terms how the net position changed during the fiscal year. The statement of cash flows summarizes the movement of cash and the utilization of resources during the year. The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. There are three allowable categories of net position as prescribed under GASB 34; net position invested in capital assets, net of related debt; net position that is restricted in use, and net position that is unrestricted.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

CONDENSED FINANCIAL INFORMATION

Net Position. The Authority's net position decreased between fiscal years ended June 30, 2021 and June 30, 2020 by \$386,276 on the GAAP basis. The largest contributing factors to this decrease in 2021 were depreciation and pension/OPEB expense. Depreciation expense for fiscal year 2021 was \$2,979,068. Pension and OPEB expense, which is recorded for GAAP only, totaled \$2,542,555. Total pension expense is the product of three plans, the New Bedford Contributory Retirement Plan, the operator's Hourly Plan and the Salaried Plan, plus the OPEB expense associated with the Authority's OPEB plan.

Any cost of service in excess of revenue is reimbursed by Commonwealth of Massachusetts operating assistance (currently formula based and forward-funded), with a portion of net cost of service assessed to the cities and towns served by the Authority. The remainder is funded through federal operating assistance pursuant to Section 9 of the Urban Mass Transportation Act of 1964. See Table 1.

Table 1

	<u>2021</u>	<u>2020</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
Assets:				
Current assets	\$ 14,467,024	\$ 13,479,151	\$ 987,873	7.3%
Capital assets	22,807,210	22,478,665	328,545	1.5%
Total assets	37,274,234	35,957,816	1,316,418	3.7%
Deferred outflows:				
GASB 68/75 related deferred outflows	3,122,560	1,911,004	1,211,556	63.4%
Total deferred outflows of resources	3,122,560	1,911,004	1,211,556	63.4%
Liabilities:				
Current liabilities	10,017,423	9,175,559	841,864	9.2%
Long-term liabilities	10,860,851	8,133,957	2,726,894	33.5%
Total liabilities	20,878,274	17,309,516	3,568,758	20.6%
Deferred inflows:				
GASB 68/75 related deferred inflows	935,468	1,589,976	(654,508)	-41.2%
Total deferred inflows of resources	935,468	1,589,976	(654,508)	-41.2%
Net position:				
Unrestricted	(5,697,783)	(4,965,451)	(732,332)	14.7%
Restricted	1,473,625	1,456,114	17,511	1.2%
Investment in capital assets, net of related debt	22,807,210	22,478,665	328,545	1.5%
Total net position	\$ 18,583,052	\$ 18,969,328	\$ (386,276)	-2.0%

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

Changes in Net Position. The Authority's total operating revenue decreased by 78.2% to \$452,434. This significant decrease is due to the COVID-19 pandemic, which resulted in reduced ridership beginning with the 4th quarter of fiscal year 2020, continuing into fiscal year 2021. The Authority also suspended the collection of farebox revenues until the 4th quarter of fiscal year 2021. This practice was consistent with the policies of other RTAs within the Commonwealth.

Operating expenses increased by \$873,059 in the current year, primarily due to increases in charges to net pension liabilities, on the GAAP basis. The GAAP basis includes the actuarially determined contribution of the three pension plans, as well as the change in estimated net pension liability as a result of revised actuarial estimates calculated under the parameters of GASB Statement No. 68. The effects of the revised estimates are reflected within "general and administrative" expenses on Table 2 below. Of the \$59,844 increase to "general and administrative," \$2,563,230 was attributable to the required GASB 68 net pension liability. Without counting the GASB 68 net pension liability adjustment, "general and administrative" would have shown a decrease of \$2,503,386.

	<u>Table 2</u>		Total Dollar Change	Total Percentage Change
	<u>2021</u>	<u>2020</u>		
Operating revenue:				
Service revenue	\$ 319,357	\$ 1,909,042	\$(1,589,685)	-83.3%
Other income	133,077	164,806	(31,729)	-19.3%
Total operating revenue	<u>452,434</u>	<u>2,073,848</u>	<u>(1,621,414)</u>	<u>-78.2%</u>
Operating expenses:				
Operator costs	16,087,299	15,176,302	910,997	6.0%
General and administrative	4,508,745	4,448,901	59,844	1.3%
Depreciation	2,979,068	2,974,963	4,105	0.1%
Other costs of service	1,179,782	1,281,669	(101,887)	-7.9%
Total operating expenses	<u>24,754,894</u>	<u>23,881,835</u>	<u>873,059</u>	<u>3.7%</u>
Operating gain (loss)	<u>(24,302,460)</u>	<u>(21,807,987)</u>	<u>(2,494,473)</u>	<u>11.4%</u>
Nonoperating revenues/(expenses):				
Local assessment	3,498,078	3,412,759	85,319	2.5%
State assistance	6,832,340	6,289,745	542,595	8.6%
Federal assistance	10,312,803	8,329,055	1,983,748	23.8%
Other nonoperating revenue/(expense) net:	<u>(34,649)</u>	<u>(54,810)</u>	<u>20,161</u>	<u>-36.8%</u>
Total nonoperating revenues/(expenses):	<u>20,608,572</u>	<u>17,976,749</u>	<u>2,631,823</u>	<u>14.6%</u>
Net loss before capital grants	<u>(3,693,888)</u>	<u>(3,831,238)</u>	<u>137,350</u>	<u>-3.6%</u>
Capital grants and contributions	<u>3,307,612</u>	<u>3,176,259</u>	<u>131,353</u>	<u>4.1%</u>
Increase (decrease) in net position	<u>(386,276)</u>	<u>(654,979)</u>	<u>268,703</u>	<u>-41.0%</u>
Net position, beginning of year	<u>18,969,328</u>	<u>19,624,307</u>	<u>(654,979)</u>	<u>-3.3%</u>
Net position, end of year	<u>\$ 18,583,052</u>	<u>\$ 18,969,328</u>	<u>\$ (386,276)</u>	<u>-2.0%</u>

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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

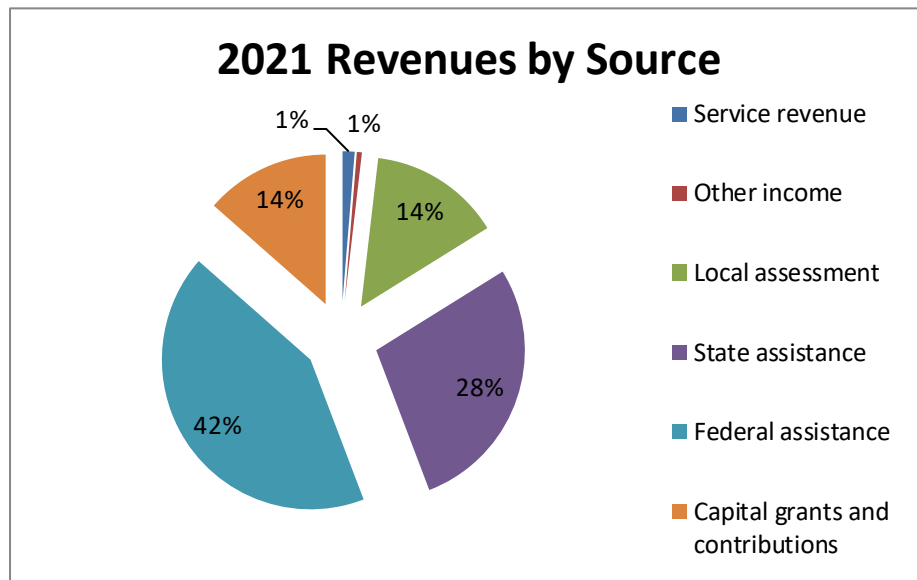
ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Approximately 84% for 2021 and 76% for 2020 of the Authority's support comes from federal and state operating assistance and from federal and state capital grants and contributions. The capital grants are to be used for various purposes connected with the planning, modernization and expansion of transportation and facilities. These grants are deferred until such time that the related facilities are put into service and are then amortized over the estimated useful life of the assets as a reduction of unreimbursed cost of service. The remaining revenues of service, other revenue and local assessments to member communities generate the remaining 16% for 2021 and 24% for 2020. See Table 3.

The operation of bus service is contracted to Southcoast Transit Management, Inc. and a management fee is paid. Transportation service expenses are reimbursed to Southcoast Transit Management weekly upon receipt of an invoice detailing the 2021 weekly expenses. Approximately 65% of the operating cost relates to the cost of transportation services (i.e., salaries and fringe benefits), with 12% of the operating cost representing non-cash depreciation and amortization costs for 2021, as well as 18% of the costs relating to general and administrative costs. See Table 4.

Approximately 64% of the operating cost relates to the cost of transportation services (i.e. salaries and fringe benefits), with 12% of the operating cost representing non-cash depreciation and amortization costs for 2020, with the remaining 19% of the costs relating to general and administrative costs.

Table 3

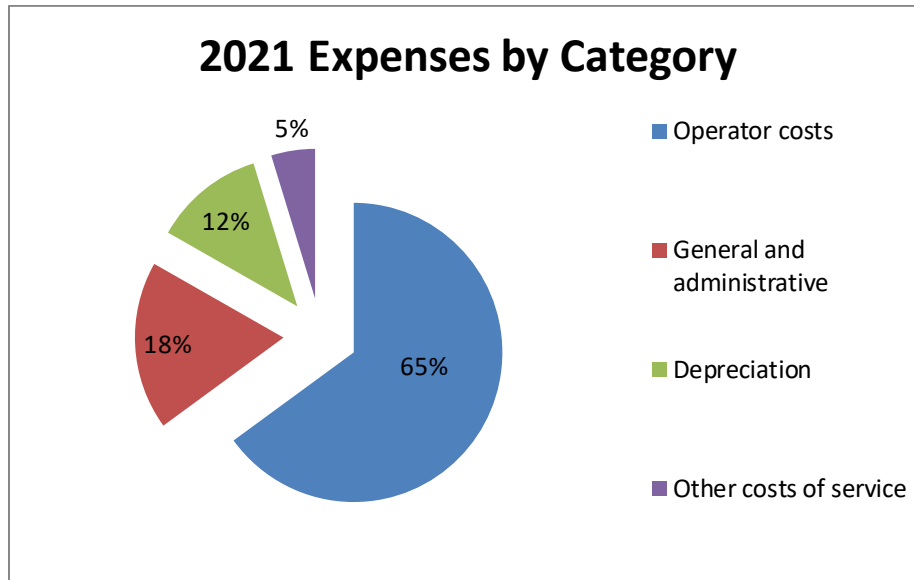


SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

Table 4



DISCUSSION AND ANALYSIS OF BALANCES AND TRANSACTIONS

The Authority finished the current year with a decrease in net position of \$386,276. The decrease is a result of current year depreciation, coupled with increases in pension and OPEB expense, as a result of the experience of the Authority's three pension plans and its OPEB plan.

The Authority's capital improvement program provides for the replacement and expansion of the present bus fleet and other transportation equipment and the construction of the bus loading facilities, of which \$86,715,045 has been approved for grant spending through June 30, 2021. (See Note 2)

DISCUSSION AND ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

The Authority did revise its budget during fiscal year 2021 as a result of overall operations. Unfavorable variances were present only in fixed route and paratransit. These unfavorable variances totaled \$231,493. The remaining categories had favorable variances. Overall, "total expenses" had an unfavorable variance of \$12,914. See the "Supplementary Information" section for more information.

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

Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

DISCUSSION OF SIGNIFICANT CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY DURING THE YEAR

At the end of fiscal year 2021, the Authority had invested \$56,906,229 in property, plant and equipment. \$17,112,734 had been invested in buildings and improvements; \$2,725,087 is invested in non-depreciable assets (land and construction in progress) with the remaining \$37,068,408 in buses and equipment. This amount represents a 4.43% increase or \$2,411,467 over fiscal year 2020 when the Authority had \$54,494,762 invested in property, plant and equipment of which \$17,112,734 had been invested in buildings and improvements, \$2,725,087 was invested in non-depreciable assets, with the remaining \$35,319,618 in buses and equipment. More detailed information about the Authority's capital assets is presented in the notes to the basic financial statements.

	<u>2021</u>	<u>2020</u>	<u>Change in Balances</u>
Land	\$ 326,611	\$ 326,611	\$ -
Construction in progress	2,398,476	1,735,799	662,677
Building and improvements, net	6,853,704	7,385,658	(531,954)
Buses and equipment, net	11,761,431	11,391,971	369,460
Service equipment, net	226,731	235,943	(9,212)
Furniture and fixtures, net	3,162	6,080	(2,918)
Computers, net	875,412	972,328	(96,916)
Planning, net	361,683	424,275	(62,592)
Total	<u>\$ 22,807,210</u>	<u>\$ 22,478,665</u>	<u>\$ 328,545</u>

As of June 30, 2021 the Authority had \$5,006,283 in revenue bonds outstanding. The purpose of these bonds is to provide cash flow when the revenue from the FTA, Local Assessment and State Contract Assistance is received at a later date. Under Chapter 161B of the Massachusetts General Laws, the Commonwealth is required to pay principal and interest that is due on any of the Authority bonds issued when the Authority does not have the funds available. The amount of revenue bonds outstanding at June 30, 2021 provides necessary cash flow to cover the expanded services being provided during prior fiscal years for which local assessment receipts (i.e. the physical cash receipts) will not be collected until fiscal years 2022 and 2023.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The pandemic has hit SRTA's ridership very hard. Though ridership trends slowly increased over the fiscal year, they are still fall well below the passengers served in FY19. The Authority is working with the revenue collection system vendor to try new pricing strategies that will provide incentive for the public to ride more often.

In addition to pandemic assistance received through Federal CARES Act, there is a high likelihood of receiving an additional \$1.9 million from the American Recovery Act. While that is still not settled, SRTA hopes to see the final Providence UZA split letter soon. This funding, which can cover operating costs up to 100 percent of net costs of service will continue to help stabilize the operations of the Authority for the upcoming fiscal year. The worry that remains is that recovery assistance funding is not a recurring source of income. Relying on funding of this nature has a compounding problem into the future, as once it is expended, SRTA must revert back to the normal Section 5307 funding regulations, which imposes an operating cap of 50% of net cost of service.

The Commonwealth often focuses on the ability to leverage federal funding. SRTA leverages more federal funding as a percentage of the operating budget than most Regional Transit Authorities. For the Commonwealth to continue to benefit from this ongoing utilization of Federal funds, there needs to be an appropriate amount of Local Assessments and State Contract Assistance to match the Federal funding. For the past 10 years, the communities served by SRTA have done their part, however State Contract Assistance levels have not kept pace. This makes it extremely difficult to predict what amount of support there will be for future modest increases for transit serving economically disadvantaged citizens of the Commonwealth outside of the Greater Boston Area.

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Management's Discussion and Analysis (Unaudited) (Continued)

For the Year Ended June 30, 2021

The 2020 Census may have potential impacts on the New Bedford UZA. There is a chance for Providence and New Bedford to become one Large Urban Area. This change could drastically limit Federal Funding available for SRTA to flex toward operating expenses. We continue to monitor this situation and have made sure to communicate concerns to all funding partners.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The 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 Kristen A. Sniezek, Deputy Administrator and Chief Financial Officer, Southeastern Regional Transit Authority, 700 Pleasant Street, Fifth Floor, New Bedford, MA 02740-6263.

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Management's Discussion and Analysis (Unaudited) (Continued)

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

Statement of Net Position

June 30, 2021

	<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,668,848
Receivables:	
State grants receivable	2,114,862
Local assessment receivable	7,186,685
Federal grants receivable	2,382,444
Other receivables	26,883
Inventory	925,221
Prepaid expenses	162,081
Total current assets	<u>14,467,024</u>
Non-Current Assets:	
Land	326,611
Construction in progress	2,398,476
Building and improvements, net	6,853,704
Buses and equipment, net	11,761,431
Service equipment, net	226,731
Furniture and fixtures, net	3,162
Computers, net	875,412
Planning, net	361,683
Total non-current assets	<u>22,807,210</u>
Total assets	<u>\$ 37,274,234</u>
Deferred outflows of resources	
Pension related - New Bedford Plan	271,126
Pension related - Hourly Plan	2,255,519
Pension related - Salaried Plan	557,384
OPEB related	38,531
Total deferred outflows of resources	<u>3,122,560</u>
Total assets and deferred outflows of resources	<u>\$ 40,396,794</u>

The notes to the basic financial statements are an integral part of this statement

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

Statement of Net Position (Continued)

June 30, 2021

	TOTAL BUSINESS-TYPE ACTIVITIES
Liabilities	
Current liabilities:	
Revenue anticipation notes payable	\$ 5,006,283
Line of credit	500,000
Accounts payable and other liabilities	3,821,905
Payable to operator	483,488
Accrued salaries payable	153,664
Accrued interest payable	52,083
Total current liabilities	10,017,423
Non-Current Liabilities:	
Net OPEB obligation (NOO)	114,226
Net pension liability (NPL)	9,970,871
Compensated absences	775,754
Total non-current liabilities	10,860,851
Total liabilities	20,878,274
Deferred inflows of resources	
Pension related - New Bedford Plan	253,898
Pension related - Hourly Plan	586,625
Pension related - Salaried Plan	19,482
OPEB related	75,463
Total deferred inflows of resources	935,468
Net Position	
Unrestricted	\$ (5,697,783)
Restricted:	
Stabilization fund (MGL Ch.161B s.26)	798,262
Fall River terminal project	188
Extraordinary repairs reserve (MGL Ch.161B s.6(q))	675,175
Investment in capital assets:	
Net of accumulated depreciation	494,090
Net of accumulated amortization	22,313,120
Total net position	\$ 18,583,052

The notes to the basic financial statements are an integral part of this statement

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021

	TOTAL BUSINESS-TYPE ACTIVITIES
Operating revenues:	
Service revenue	\$ 319,357
Advertising income	78,545
Other income	54,532
Total operating revenues	452,434
Operating expenses:	
Cost of service	
Salaries	11,438,671
Fringe	2,750,959
Materials and supplies	1,144,792
Miscellaneous	50,463
Utilities	309,486
Office expense and services	392,928
Subtotal - Cost of service	16,087,299
Additional costs of service:	
Depreciation	2,979,068
Diesel fuel and gasoline	706,320
Management fees paid to operator	473,462
Subtotal - additional costs of service:	4,158,850
Total operating expenses:	20,246,149
Administrative expenses:	
Salaries and fringe	705,525
Advertising	1,761
Professional fees	91,559
Office expense	68,158
Other administrative expense	114,342
Insurance expense	984,845
Pension and OPEB expense	2,542,555
Total administrative expenses:	4,508,745
Operating income (loss):	(24,302,460)

The notes to the basic financial statements are an integral part of this statement

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

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

For the Year Ended June 30, 2021

	TOTAL BUSINESS-TYPE ACTIVITIES
Nonoperating revenues (expenses):	
Local assessment (MGL Ch.161B s.9)	\$ 3,498,078
State operating assistance (MGL Ch.161B s.23)	6,399,728
Federal - operating assistance (49 USC 5307(d)(2))	10,312,803
Other state assistance	432,612
Disposition of capital assets	1,825
Interest income	1,173
Interest expense	(75,262)
Amortization of premium	37,615
Total nonoperating revenues (expenses)	20,608,572
Net loss before capital grants	(3,693,888)
Capital Grants:	
Federal	1,191,176
Commonwealth of Massachusetts	2,116,436
Total capital grants	3,307,612
Increase (decrease) in net position	(386,276)
Net position, beginning of year	18,969,328
Net position, end of year	\$ 18,583,052

The notes to the basic financial statements are an integral part of this statement

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

Statement of Cash Flows

For the Year Ended June 30, 2021

Cash flows from operating activities:

Cash received from federal, state and local governments	\$ (232,147)
Cash received from passenger fares	319,357
Cash received from rentals, parking and other	133,077
Cash paid to operators, other vendors and employees	<u>(20,735,835)</u>

Net cash provided (used) by operating activities (20,515,548)

Cash flows from noncapital financing activities:

Operating and contract assistance	20,563,827
Net proceeds from sale of revenue anticipation notes	5,000,000
Net proceeds from revolving line of credit	250,000
Principal payments made on anticipation notes	(4,500,000)
Interest payments on bond anticipation notes	<u>(78,972)</u>

Net cash provided (used) in noncapital financing activities 21,234,855

Cash flows from capital and related financing activities:

Capital revenue from state and federal capital grants	3,050,292
Purchase of capital assets	<u>(3,305,788)</u>

Net cash provided (used) by capital and related financing activities (255,496)

Cash flows from investing activities:

Interest income on invested funds	<u>1,173</u>
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Net cash provided (used) in investing activities 1,173

Net increase (decrease) in cash 464,984

Cash and cash equivalents at beginning of year 1,203,864

Cash and cash equivalents at end of year \$ 1,668,848

Displayed at June 30, 2021 as:

Cash and cash equivalents: \$ 1,668,848

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

Statement of Cash Flows (Continued)

For the Year Ended June 30, 2021

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	<u>\$ (24,302,460)</u>
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization	2,979,068
(Increase) decrease in accounts receivable	(232,147)
(Increase) decrease in inventory	70,077
(Increase) decrease in prepaid expenses	(24,105)
(Increase) decrease in deferred outflows of resources	(1,211,556)
Increase (decrease) in accounts payable and accrued expenses	204,031
Increase (decrease) in accrued salaries payable	41,705
Increase (decrease) in accrued pay/compensated absences	128,505
Increase (decrease) in due to operator	(112,547)
Increase (decrease) in net OPEB obligation (NOO)	19,848
Increase (decrease) in net pension liability (NPL)	2,578,541
Increase (decrease) in deferred inflows of resources	<u>(654,508)</u>
Subtotal	<u>3,786,912</u>
Net cash provided (used) by operating activities	<u>\$ (20,515,548)</u>

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

Statement of Fiduciary Net Position – OPEB Trust Fund

For the Year Ended June 30, 2021

ASSETS

Cash:	
Restricted	\$ 22,237
Investments:	
Restricted	<u>187,410</u>
Total assets	<u>\$ 209,647</u>

LIABILITIES

Accounts payable	<u>-</u>
Total liabilities	<u>-</u>

NET POSITION

Restricted	<u>209,647</u>
Total net position	<u>\$ 209,647</u>

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

Statement of Changes in Fiduciary Net Position – OPEB Trust Fund

For the Year Ended June 30, 2021

Revenues:	
Employer contributions	<u>\$ 22,269</u>
Total revenue	<u>22,269</u>
Operating expenses:	
Benefits paid	<u>3,867</u>
Total operating expenses	<u>3,867</u>
Operating income	<u>18,402</u>
Nonoperating revenues (expenses):	
Investment income	<u>32,401</u>
Total nonoperating revenue (expenses)	<u>32,401</u>
Change in net position	50,803
Net position, beginning of year	<u>158,844</u>
Net position, end of year	<u><u>\$ 209,647</u></u>

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

Notes to Financial Statements

June 30, 2021

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The financial statements of the Southeastern Regional Transit Authority (“the Authority”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity

The Southeastern Regional Transit Authority (“the Authority”) was established on April 24, 1974 and commenced operations on July 1, 1974, pursuant to Chapter 1141 of the Acts of 1973 of the Commonwealth of Massachusetts (“the Commonwealth”), Massachusetts General Law 161B to provide public transportation for the territory comprised of the cities of New Bedford and Fall River and the Towns of Acushnet, Dartmouth, Fairhaven, Freetown, Mattapoisett, Somerset, Swansea and Westport. Beginning in 1974, the Authority entered into an operating agreement with a contracted operator who would provide public transportation in the Authority’s service area at levels and on routes specified by the Authority, as required by MGL Chapter 161B, Section 25.

Such agreements are put out to bid in three year intervals, the most recent agreement beginning on June 1, 2017. The Authority has the exclusive right and option to extend the agreement for two additional one year terms. The Authority has the right to terminate the agreement in writing, 90 days prior to the end of the term or with 90 days’ notice upon termination based on good cause, for lack of funding for the transit system or for convenience. The Authority provides the full financial support necessary to reimburse the operator for losses sustained in the operating of service, plus an annual management fee for each year of the contract.

The financial statements present information on activities of the Authority for which the Advisory Board has oversight responsibility. The criteria, as established by the Governmental Accounting Standards Board, for inclusion of activities in the oversight entity’s financial statements are: selection of governing authority, designation of management, ability to significantly influence operations, accountability over fiscal matters and scope of public service. Accordingly, the accompanying statements of revenue, expenses and changes in net position include the revenues and expenses of the operator incurred in the operation of transportation services.

Component Units

In conformity with accounting principles generally accepted in the United States of America, management has evaluated any potential component units being considered for inclusion in the financial reporting entity.

GASB Statement No. 61 modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and applicable financial reporting entity disclosure requirements. Based on GASB Statement No. 61 guidance, organizations that previously were required to be included as a component units by meeting the fiscal dependence criterion now must also have a "financial benefit or burden relationship" present between the primary government and that organization for it to be included in the reporting entity as a component unit. Pursuant to this GASB pronouncement, no component units were identified based on management’s evaluation for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Commonwealth’s Department of Transportation.

Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund on the accrual basis in order to recognize the form of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operations of the Authority are included in the Statement of Net Position. Operating revenues and expenses result from providing transportation services to member communities. All other revenue and expenses are reported as nonoperating revenue and expenses.

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

Notes to Financial Statements (Continued)

June 30, 2021

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Basis of Accounting (Continued)

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting*, the Authority has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, that do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date will be followed.

Budgeting

Under Massachusetts General Law Chapter 161B, Section 8h, the Authority adopts an annual operating budget for the planning and administrative activities. The budgeting process enables the Authority to determine the annual contributions required from the member jurisdictions and the Commonwealth of Massachusetts to fund its planning and administrative activities. The budget is prepared on the accrual basis. Depreciation/amortization of grants are not recognized as an expense as these expenses are not budgeted each year. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

Unreimbursed Cost of Service

Massachusetts General Law Chapter 161B Section 10, provides that the Commonwealth shall reimburse the Authority for the Net Cost of Service, as defined by MGL Chapter 161B Section 1. The Net Cost of Service includes a charge equal to the payments made on long-term debt during the period, but does not include charges for depreciation/amortization or grants for operating assistance from the Federal Department of Transportation. The Net Cost of Service is the remaining amount of the net operating expense after the local assessment is taken. This balance is the contracted amount owed by the Commonwealth as State Contract Assistance.

The cost of service in excess of revenue presented in the accompanying Statements of Revenue, Expenses and Changes in Net Position differs from the Net Cost of Service because the Authority follows generally accepted accounting principles for financial reporting purposes. The following table reconciles the Authority's cost of service in excess of revenue to its Net Cost of Service for the year ended June 30, 2021.

Balance at beginning of year	\$ -
Cost of service in excess of revenue	<u>(23,622,289)</u>
Expenses not reimbursable and other operating assistance:	
Depreciation and amortization in excess of principal payments on long-term debt	2,979,068
Local assistance	3,498,078
Federal operating assistance including associated capital maintenance and expanded services	<u>10,312,803</u>
Net cost of service	<u>(6,832,340)</u>
Net cost of service reimbursed by the Commonwealth	<u>6,832,340</u>
Over reimbursement of cost of service	<u>\$ -</u>

For financial reporting purposes, the Authority follows the generally accepted accounting principle of depreciating the cost of property over its estimated useful life. The cumulative excess and principal payments on long-term debt are charged to the unreimbursed cost of service account and are recovered in years when the sum of grant amortization and principal payments made on long-term debt exceed depreciation.

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

Notes to Financial Statements (Continued)

June 30, 2021

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and amounts on deposit with banks, including certificates of deposit with maturities of 90 days or less.

Grants and Other Receivables

The Authority carries its accounts receivable at an amount equal to uncollected but earned revenue less write-offs. On a periodic basis, the Authority evaluates its accounts receivable and utilizes the direct write-off method. Accounts receivable are considered delinquent if not in accordance with the contractual terms. Receivables are written off after collection efforts have failed.

Accrued Sick and Vacation

Authority employees are granted vacation and sick leave in varying amounts. At the end of employment, an employee may be reimbursed for accumulated vacation days and sick days if certain conditions are met. The Authority records accrued sick and vacation costs as an accrued expense.

Net Position

The Authority reports net position as restricted when legally segregated for a specific use or for other special purposes. Otherwise, these balances are considered unrestricted.

Legal restrictions on net position as of June 30, 2021 consisted of the Authority's stabilization fund and its extraordinary repairs reserve. The "investment in capital assets" section of net position represent resources related to the capital assets of the Authority.

Capital Assets

Capital assets are recorded at historical cost, while donated fixed assets are recorded at fair market value as of the date of the gift with an aggregated cost of \$1,000 or more and a useful life of more than one year.

Depreciation is charged to operating expense, based on the straight-line method, at rates that are designed to amortize the cost of the property over its estimated useful life. The estimated useful lives on the depreciable portion of the major categories of transportation property are as follows:

	<u>Estimated Useful Life</u>
Buildings and improvements	10 - 40 years
Buses and equipment (including service equipment)	3 - 12 years
Furniture and fixtures	6 - 10 years
Planning	10 years

When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations. In fiscal year 2021, this gain/loss was immaterial to the Statement of Revenues, Expenses and Changes in Net Position.

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

Notes to Financial Statements (Continued)

June 30, 2021

1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***

Grants

The Authority receives grants from certain governmental agencies to be used for various purposes connected with the planning, modernization and expansion of transportation and facilities. These grants are deferred until such time as the related facilities are put into service. The grants are then amortized over the estimated useful lives of the assets as a reduction of the unreimbursed cost of service.

In addition, the Authority receives grants for operating assistance from the Federal Department of Transportation and the Commonwealth Department of Transportation. Those funds are credited to the Net Cost of Service, as they are a reduction of the amounts that would otherwise be paid by the 10 cities and towns constituting the Authority. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Materials, Supplies and Inventory

The Authority uses the weighted average cost method for valuation purposes. The costs of inventory items are recorded as expenditures when used.

Income Taxes

The Authority is exempt from Federal and Commonwealth of Massachusetts income taxes since it is a public body established by statute.

Advertising

Advertising costs are expensed as incurred. Advertising costs totaled \$1,761 for the year ended June 30, 2021.

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 amounts reported in the financial statements and accompanying notes and disclosures. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of investments, cash equivalents and grant receivables. The Authority's cash equivalents were with various credit-worthy financial institutions, investments consisted of grant receivables due from Federal, state and local assessments. The Authority considers the credit risk associated with financial instruments to be minimal.

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

Notes to Financial Statements (Continued)

June 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Implementation of New Accounting Principles

For the year ending June 30, 2021, the Authority implemented GASB Statement No. 84, *Fiduciary Activities*. The effects of the implementation of this statement were immaterial to these financial statements.

Summary of Significant Accounting Policies – City of New Bedford Contributory Retirement System

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of New Bedford’s Contributory Employees’ Retirement System (“the System”) and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. 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.

Summary of Significant Accounting Policies – Hourly Plan

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan of the Southeastern Regional Transit Authority and South Coast Transit Management Inc. for Employees Covered by Collective Bargaining (“the Hourly Plan”) and additions to/deductions from the Hourly Plan’s fiduciary net position have been determined on the same basis as they are reported by the Hourly Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Summary of Significant Accounting Policies – Salaried Plan

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Salaried Employees’ Pension Plan of the Southeastern Regional Transit Authority and South Coast Transit Management, Inc. (“the Salaried Plan”). Additions to/deductions from the Salaried Plan’s fiduciary net position have been determined on the same basis as they are reported by the Salaried Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. **CAPITAL IMPROVEMENT PROGRAM AND RELATED GRANTS**

The Authority’s capital improvement program provides for the replacement and expansion of the present bus fleet and other transportation equipment and the construction of bus loading facilities. Grant spending net depreciation/amortization is as follows:

	Federal	State, Local & Other	Total
Approved grant spending through June 30, 2021	\$ 62,843,245	\$ 23,871,800	\$ 86,715,045
Amortization	(50,050,946)	(14,350,979)	(64,401,925)
Net grants balance	\$ 12,792,299	\$ 9,520,821	\$ 22,313,120

Receivables for capital grant expenditures from the federal and state governments were \$2,759,953 as of June 30, 2021. The expenditures were funded by transportation bonds and operating funds.

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

Notes to Financial Statements (Continued)

June 30, 2021

3. ***CASH, CASH EQUIVALENTS AND INVESTMENTS***

Cash and investments as of June 30, 2021 is classified in the accompanying financial statements as follows:

Cash and investments – business-type activities	\$1,668,848
Cash and investments – fiduciary funds	\$209,647

Deposits are in various financial institutions and are carried at cost which approximates market value. The carrying amount of deposits is displayed in the Statement of Net Position as “Cash”. Petty cash is included in the presentation of cash on the Statement of Net Position in the amount of \$2,113 on June 30, 2021.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At year end the Authority’s fiscal year, carrying amount of deposits was \$1,878,495, including \$2,113 of petty cash and the bank balance was \$2,076,414. Of the bank balance, \$949,453 was covered by Federal Depository Insurance and \$194,416 was covered by the Depository Insurance Fund.

The OPEB trust fund, which has a balance of \$209,647 at June 30, 2021, is not FDIC or DIF insured as it contains stocks, bonds, mutual funds and other securities that are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the FDIC, the Federal Reserve Board, or any government agency.

The Authority has not formally adopted a deposit and investment policy that limits the Authority’s allowable deposits and investments and addresses the specific types of risk to which the Authority is exposed.

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

Notes to Financial Statements (Continued)

June 30, 2021

4. **INVESTMENTS – DEFINED BENEFIT PENSION PLANS AND OPEB TRUST FUND**

a.) **HOURLY PLAN**

The Hourly Plan is a defined benefit pension plan that holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the Plan's activities, the plan shows greater disaggregation in its disclosures. The Plan investments are presented in a tabular format for disclosing the levels within the fair value hierarchy as defined in GASB Statement No. 72.

The Hourly Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2020 (the measurement date):

	<u>Fair Value Measurements Using:</u>			
	<u>Measurement Date:</u> <u>June 30, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level:				
Debt Securities				
None				
Fixed Income Securities				
Short-Term Fixed Income				
Principal Global Investors - Liquid Assets Separate Acct - R5	\$ 619,033	\$ 619,033	\$ -	\$ -
Other Fixed Income				
Principal Global Investors - Core Plus Bond Separate Act-R5	1,617,779	1,617,779	-	-
Principal Real Estate Inv - US Property Separate Acct-R5	960,823	960,823	-	-
Loomis Sayles & Company - Loomis Sayles Strat Inc A Fund	1,573,841	1,573,841	-	-
PGIM Investments, LLC - PGIM Total Ret Bond A Fd	1,656,882	1,656,882	-	-
Equity Securities				
Large US Equity				
MFS Investment Management - MFS Value R3 Fund	2,107,772	2,107,772	-	-
Harris Associates - Oakmark Fund Service Class	1,924,480	1,924,480	-	-
Principal Global Investors - LargeCap S&P 500 Index SA-R5	1,720,457	1,720,457	-	-
Legg Mason Institutional Funds - ClearBridge Lg Cap Gr A Fd	1,833,183	1,833,183	-	-
Small/Mid US Equity				
LA Capital Mgmt/Victory - MidCap Value I Sep Acct-R5	365,102	365,102	-	-
Principal Global Investors - MidCap S&P 400 Index SA-R5	216,669	216,669	-	-
Principal Global Investors - MidCap Separate Acct-R5	212,755	212,755	-	-
Fidelity Management & Research - Fidelity Adv Sm Cap Val M Fund	206,054	206,054	-	-
Principal Global Investors - SmallCap S&P 600 Index SA-R5	215,711	215,711	-	-
Legg Mason Institutional Funds - ClearBridge Sm Cp Gr A Fund	250,121	250,121	-	-
International Equity				
Oppenheimer Funds, Inc. - Inv Oppenheimer Dev Mark R Fund	1,340,385	1,340,385	-	-
Harris Associates - Oakmark Int'l Fund-Service	1,705,310	1,705,310	-	-
Legg Mason Institutional Funds - ClearBridge Int Growth FI Fund	1,821,754	1,821,754	-	-
Total investments by fair value level	<u>\$ 20,348,111</u>	<u>\$ 20,348,111</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments measured at fair value	<u>\$ 20,348,111</u>	<u>\$ 20,348,111</u>	<u>\$ -</u>	<u>\$ -</u>

Debt, equity and fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Hourly Plan had no investments categorized as Level 2 or Level 3 at June 30, 2020 (the measurement date).

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

Notes to Financial Statements (Continued)

June 30, 2021

4. **INVESTMENTS – DEFINED BENEFIT PENSION PLANS AND OPEB TRUST FUND (CONTINUED)**

b.) **SALARIED PLAN**

The Salaried Plan is a defined benefit pension plan that holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the Plan's activities, the plan shows greater disaggregation in its disclosures. The Plan investments are presented in a tabular format for disclosing the levels within the fair value hierarchy as defined in GASB Statement No. 72.

The Salaried Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2020 (the measurement date):

	<u>Fair Value Measurements Using:</u>			
	<u>Measurement Date:</u> <u>June 30, 2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level:				
Debt Securities				
None				
Fixed Income Securities				
Short-Term Fixed Income				
Principal Global Investors - Liquid Assets Separate Acct - R5	\$ 204,279	\$ 204,279	\$ -	\$ -
Other Fixed Income				
Loomis Sayles & Company - Loomis Sayles Strat Inc A Fund	577,240	577,240	-	-
PGIM Investments, LLC - PGIM Total Ret Bon A Fd	607,730	607,730	-	-
Principal Global Investors - Core Plus Bond Separate Act-R5	593,402	593,402	-	-
Principal Real Estate Inv - U.S. Property Separate Acct-R5	352,409	352,409	-	-
Equity Securities				
Large US Equity				
MFS Investment Management - MFS Value R3 Fund	773,104	773,104	-	-
Harris Associates - Oakmark Fund - Service Class	705,917	705,917	-	-
Principal Global Investors - LargeCap S&P 500 Index SA-R5	631,087	631,087	-	-
T Rowe Price/Brown Advisory - LargeCap Growth I Sep Acct-R5	681,487	681,487	-	-
Small/Mid US Equity				
LA Capital Mgmt/Victory - MidCap Value I Sep Acct-R5	133,917	133,917	-	-
Principal Global Investors - MidCap S&P 400 Index SA-R5	79,476	79,476	-	-
Eaton Vance Management - Etn Vnc Atl Cp SMID-Cap A Fd	78,409	78,409	-	-
JP Morgan Investment Mgmt Inc. - Undisc Mgrs Behav Value R4 Fd	75,194	75,194	-	-
Principal Global Investors - SmallCap S&P 600 Index SA-R5	79,125	79,125	-	-
AB/CCI/Brown/Emerald - SmallCap Growth I Sep Acct-R5	89,776	89,776	-	-
International Equity				
Capital Research and Mgmt Co. - Amer Funds New World R3 Fund	526,347	526,347	-	-
Harris Associates - Oakmark Int'l Fund Service	625,490	625,490	-	-
Legg Mason Institutional Funds - ClearBridge Int Growth FI Fund	668,298	668,298	-	-
Total investments by fair value level	<u>\$ 7,482,687</u>	<u>\$ 7,482,687</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments measured at fair value	<u>\$ 7,482,687</u>	<u>\$ 7,482,687</u>	<u>\$ -</u>	<u>\$ -</u>

The equity and fixed income securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Salaried Plan had no investments categorized as Level 2 or Level 3 at June 30, 2020 (the measurement date).

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

Notes to Financial Statements (Continued)

June 30, 2021

4. ***INVESTMENTS – DEFINED BENEFIT PENSION PLANS AND OPEB TRUST FUND (CONTINUED)***

c.) **OPEB TRUST FUND**

The Authority holds investments that are measured at fair value on a recurring basis. Recurring fair value measurements are those that the GASB Statement requires or permits in the Statement of Net Position at the end of each reporting period. Because investing is not a core part of the Authority's mission, the Authority determined that the disclosures related to these investments only need to be disaggregated by major type. The Authority chose a narrative format for the fair value disclosures of the OPEB Trust Fund instead of using a tabular format for disclosing the levels within the fair value hierarchy.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72, Fair Value Measurement and Application. 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Authority has the following recurring fair value measurements as of June 30, 2021:

Debt Securities:

- Fixed Income Mutual Funds totaling \$54,289 are valued using quoted market prices (Level 1 inputs)

Equity Securities:

- Equities totaling \$133,121 are valued using quoted market prices (Level 1 inputs)

Cash (Money Market Funds):

- Uninvested cash of \$22,237. These funds are not classified within the fair value hierarchy as they are not measured at fair value.

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

Notes to Financial Statements (Continued)

June 30, 2021

5. ***DUE FROM COMMONWEALTH OF MASSACHUSETTS***

The Authority receives various forms of assistance from the Commonwealth for operating assistance as provided in enabling legislation under which the Commonwealth will pay the Authority a portion of its net cost of service. At June 30, 2021, the Authority was owed from the Commonwealth local assessments earned during fiscal years 2020 and 2021, as well as state capital grant funding. The department providing the Commonwealth this support is the Executive Office of Transportation.

The following is the amount due to the Authority as of June 30, 2021:

<u>Date Received</u>	<u>Commonwealth Appropriation Account Number</u>	<u>Commonwealth Department Name</u>	<u>Appropriation Number / Payment Ref</u>	<u>Fiscal Year of Appropriation</u>	<u>Amount</u>
7/13/21 & 8/2/21	N/A	Treasurer	111566	FY21 Local Assessment	\$ 275,848
7/1/2021	5339 Pass Through	DOT	110603-13	2021	34,012
8/3/2021	RTACAP	DOT	#8	2021	11,290
8/11/2021	RTACAP	DOT	#9	2021	2,044,299
Open A/R	RTACAP	DOT	#10	2021	24,539
Open A/R	N/A	Treasurer	Misc Short Pays CF	N/A	722
Open A/R	N/A	Treasurer	Earned FY20	FY22 Local Assessment	3,412,759 *
Open A/R	N/A	Treasurer	Earned FY21	FY23 Local Assessment	<u>3,498,078 **</u>
Total amount due from the Commonwealth (June 30, 2021):					<u><u>\$ 9,301,547</u></u>

* - To be collected on the fiscal year 2022 "Cherry Sheet" for amounts earned during the fiscal year 2020

** - To be collected on the fiscal year 2023 "Cherry Sheet" for amounts earned during the fiscal year 2021

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6. LOCAL ASSESSMENTS

The Authority's net cost of service is also funded through assessments to member municipalities, which may increase by no more than 2.5% annually *plus* the members' share of any new services. (MGL Chapter 59 Section 20A). The increase above 2.5% as noted below is as a result of a votes of the Authority's Advisory Board where the Board voted for expanded services to the participating communities (beginning with fiscal year 2015).

Below is a comparison of local assessments to member communities under the provisions of MGL Chapter 161B Section 9 for the current and prior fiscal year as well as the upcoming fiscal year.

Please note – the fiscal year indicated below is based on the “Cherry Sheet” year, not the year in which the local assessments were *earned*. For example, the amount budgeted for local assessments in the fiscal year 2021 budget will not be assessed on the Cherry Sheets until fiscal year 2023.

Member Communities	2020	2021	Percent Change*	2021 Member Allocation
New Bedford	\$ 1,241,786	\$ 1,272,830	2.5%	38.6%
Fall River	1,433,197	1,474,245	2.9%	44.8%
Acushnet	32,742	33,561	2.5%	1.0%
Dartmouth	186,700	191,367	2.5%	5.8%
Fairhaven	35,471	36,358	2.5%	1.1%
Freetown	1	1	0.0%	0.0%
Mattapoissett	10,441	10,702	2.5%	0.3%
Somerset	105,628	108,268	2.5%	3.3%
Swansea	116,850	119,771	2.5%	3.6%
Westport	45,304	46,436	2.5%	1.4%
Subtotals:	<u>\$ 3,208,120</u>	<u>\$ 3,293,539</u>	<u>2.7%</u>	<u>100.0%</u>

Upcoming fiscal year (fiscal year 2022 and 2023 “Cherry Sheet”):

Member Communities	2021	2022	Percent Change*	2022 Member Allocation	(earned during FY21) 2023
New Bedford	\$ 1,272,830	\$ 1,304,651	2.5%	38.2%	\$ 1,337,267
Fall River	1,474,245	1,511,101	2.5%	44.3%	1,548,879
Acushnet	33,561	34,400	2.5%	1.0%	35,260
Dartmouth	191,367	196,151	2.5%	5.7%	201,055
Fairhaven	36,358	37,267	2.5%	1.1%	38,199
Freetown	1	36,882	3688100.0%	1.1%	37,804
Mattapoissett	10,702	10,970	2.5%	0.3%	11,244
Somerset	108,268	110,975	2.5%	3.3%	113,749
Swansea	119,771	122,765	2.5%	3.6%	125,834
Westport	46,436	47,597	2.5%	1.4%	48,787
Subtotals:	<u>\$ 3,293,539</u>	<u>\$ 3,412,759</u>	<u>3.6%</u>	<u>100.0%</u>	<u>\$ 3,498,078</u>

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7. **CAPITAL ASSETS AND DEPRECIATION**

	July 01, 2020 Beginning Balance	Increases	Decreases	June 30, 2021 Ending Balance
Not Being Depreciated:				
Land	\$ 326,611	\$ -	\$ -	\$ 326,611
Construction in progress	1,735,799	662,677	-	2,398,476
Subtotal	<u>2,062,410</u>	<u>662,677</u>	<u>-</u>	<u>2,725,087</u>
Other Capital Assets:				
Building and improvements	17,112,734	-	-	17,112,734
Buses and equipment	29,618,005	2,393,303	737,092	31,274,216
Service equipment	2,214,453	127,511	159,053	2,182,911
Furniture and fixtures	167,742	-	-	167,742
Computer equipment	1,699,243	97,264	-	1,796,507
Planning	1,620,175	26,857	-	1,647,032
Subtotal	<u>52,432,352</u>	<u>2,644,935</u>	<u>896,145</u>	<u>54,181,142</u>
Accumulated Depreciation:				
Building and improvements	9,727,077	531,953	-	10,259,030
Buses and equipment	18,226,034	2,023,844	737,093	19,512,785
Service equipment	1,978,509	136,723	159,052	1,956,180
Furniture and fixtures	161,662	2,918	-	164,580
Computer equipment	726,915	194,180	-	921,095
Planning	1,195,900	89,449	-	1,285,349
Subtotal	<u>32,016,097</u>	<u>2,979,067</u>	<u>896,145</u>	<u>34,099,019</u>
Net other capital assets	<u>20,416,255</u>	<u>(334,132)</u>	<u>-</u>	<u>20,082,123</u>
Net capital assets	<u>\$ 22,478,665</u>	<u>\$ 328,545</u>	<u>\$ -</u>	<u>\$ 22,807,210</u>

Depreciation expense was \$2,979,067 for the fiscal year ended June 30, 2021.

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Notes to Financial Statements (Continued)

June 30, 2021

8. **NOTES PAYABLE AND LINES OF CREDIT**

The Authority is subsidized by the Commonwealth for its annual “Net Cost of Service” as defined in the legislation. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash from deficiencies until funding is received.

Under Chapter 161B of the Massachusetts General Laws, the Commonwealth is required to pay principal or interest that is due on any of the Authority’s bond or note issues if the Authority does not have the funds available.

At June 30, 2021, the Authority had a revenue anticipation note of \$5,000,000 outstanding with interest rate of 1.25% due to mature on August 20, 2021. Of the balance on the note, an unamortized premium of \$6,283 remains. The original premium on the note when issued was \$37,700.

The revenue anticipation notes acquired during 2021 were for the purposes of funding operating expenses. Interest expense for 2021 on revenue anticipation notes was \$80,516.

<u>Note Type</u>	<u>Interest Rates</u>	<u>Issuance Dates</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Premium</u>	<u>Dispositions</u>	<u>Amortized Premium</u>	<u>Ending Balance</u>	<u>Interest Paid</u>
RAN	1.25%	8/21/20	8/20/21	\$ -	\$ 5,000,000	\$ 37,700	\$ -	\$ (31,417)	\$ 5,006,283	\$ 63,102
RAN	2.25%	8/23/19	8/21/20	<u>4,506,198</u>	<u>-</u>	<u>-</u>	<u>(4,500,000)</u>	<u>(6,198)</u>	<u>-</u>	<u>17,414</u>
				<u>\$ 4,506,198</u>	<u>\$ 5,000,000</u>	<u>\$ 37,700</u>	<u>\$ (4,500,000)</u>	<u>\$ (37,615)</u>	<u>\$ 5,006,283</u>	<u>\$ 80,516</u>

In the prior year, the Authority opened a revolving line of credit in the amount of \$1,500,000, with an interest rate equal to that of the Prime Rate as published by the Wall Street Journal minus 0.50%, with no floor rate, to cover short-term cash needs while State contracts were in process of being executed. In the current year, this line of credit remained the same at \$1,500,000, effective June 5, 2020. The terms of the interest rate were the same, with the exception of the fact that a floor rate was established at 2.75% upon renewal in June of 2020. The assets of the Authority act as collateral on the line of credit in the event of a default. At June 30, 2021, the Authority had an outstanding balance on the line of credit of \$500,000.

9. **FEDERAL CONTRACT ASSISTANCE**

The Authority is eligible for grants of operating assistance from the Federal Department of Transportation. Pursuant to Section 5307 of the Federal Transit Administration T21, as amended, the federal government will fund up to 50% of the Authority’s Net Cost of Service, as defined. Federal operating assistance amounted to \$10,312,803 for the year ended June 30, 2021 and was 100% funded by the CARES Act.

The United States Department of Transportation approves capital grants to fund up to 80% of the Authority’s capital improvement projects. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In addition, the Federal government may fund up to 80% of the Authority’s preventive maintenance and ADA services costs.

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June 30, 2021

10. **STATE CONTRACT ASSISTANCE**

The Authority has a contract with the Commonwealth of Massachusetts for operating assistance (MGL Chapter 161B Section 23) providing the Authority with up to 50% of the Authority's net cost of service be paid by the Commonwealth and shall not be assessed upon the cities and towns constituting the Authority. Funding is determined in the Commonwealth's budget and is divided between RTAs based on a formula considering such factors as size and operating environment, as well as ridership and previous state funding levels. Total State Contract Assistance (SCA) for fiscal year 2021 totaled \$6,399,728, an increase of \$282,127 over the previous year. In fiscal year 2020, SRTA received SCA of \$6,117,601.

11. **NET POSITION - RESTRICTED FOR OTHER PURPOSES**

In accordance with Massachusetts General Laws Chapter 161 Section 6(q), the Authority has established a reserve for extraordinary expenses. Prior approval from state officials is required before any expenditures can be made from this reserve. At June 30, 2021, that reserve amounted to \$675,175. The Authority added \$17,511 to this reserve in the current fiscal year from its net position. This reserve is at its maximum allowable balance under the law at fiscal year end June 30, 2021.

12. **SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)**

General Information about the Pension Plan

Plan description. The System is a contributory defined benefit plan, as established by MGL Chapter 32, covering all City of New Bedford Retirement System member unit employees deemed eligible by the retirement board, with the exception of the school department employees who serve in a teaching capacity.

The System qualifies as a *cost-sharing multiple employer plan* since pension obligations exist for employees of more than one employer and plan assets can be used to pay the benefits of the employees of any employer. Five employers currently participate in the System, the City of New Bedford, the New Bedford Housing Authority, the Greater New Bedford Regional Technical Vocational High School, the Greater New Bedford Regional Refuse Management District, and the Southeastern Regional Transit Authority. Each employer contributes into the plan annually as determined by the Public Employee Retirement Administration Commission ("PERAC"). Please see the section below entitled "Contributions" for more information.

The PERAC issues a publicly available report on the City of New Bedford Retirement System pursuant to MGL Chapter 32 Section 21 that can be obtained at www.mass.gov/perac. This report contains additional information with respect to the System.

Benefits provided. The System provides retirement, disability, and death benefits. Retirement benefits vest after ten years of creditable service and are determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary (for employees hired prior to April 2, 2012) or 80% of the member's highest five year average (for employees hired on or after April 2, 2012). The benefit rate also varies with the member's retirement age and group classification (see below). Members may elect to receive their retirement allowances in one of three forms of payment (Options A, B and C) per MGL Chapter 32.

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Notes to Financial Statements (Continued)

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12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)

Benefits provided (continued). Members of the System are eligible for two types of disability benefits (ordinary and accidental disability) for which allowances are determined based on the date the member entered the System along with the “group” the member belongs to. Death benefits are also available for members who die as a result of a work-related injury if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired. Allowances for death benefits consist of immediate payments to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary. Other allowances are also available to those surviving spouses of the police or fire departments.

Chapter 17 of the Acts of 1997 was adopted by the New Bedford Contributory Retirement System. The result of such adoption allows the Retirement Board to vote to pay a cost of living increase (COLA) for that year, with the percentage determined by the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%.

Contributions. Member contributions vary depending on the most recent date of membership. Members who entered the system prior to 1975 contribute 5% of regular compensation. Members who entered between 1975 and 1983 contribute 7% of regular compensation. Members who entered between 1984 and June 30, 1996 contribute 8% of regular compensation. Members who entered after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined after 1978 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

Under Chapter 32 Section 22F of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040. Thereafter, annual contributions equal to the normal cost will keep the Plan's assets and liabilities in balance. Contributions to the pension plan from participating employers was \$36,751,374 for the fiscal year ended June 30, 2021 as determined by PERAC. Of the total contributed, \$191,107 represents contributions from the Southeastern Regional Transit Authority (“the Authority”). PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

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

The System’s net pension liability was measured as of December 31, 2020 (i.e. the “measurement date” as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, rolled forward to the measurement date.

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Notes to Financial Statements (Continued)

June 30, 2021

**12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)**

At June 30, 2021 (i.e. the “reporting date” as defined by GASB Statement No. 68), the System reported a net pension liability of \$348,334,016 while the Authority reported a liability of \$1,811,337 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, 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 Authority’s long-term share of contributions to the pension plan relative to the projected contributions of the participating employers, actuarially determined. The following chart illustrates each employers’ proportionate share used at the measurement date:

<u>Employer</u>	<u>Fiscal Year 2021 Actual Employer Contributions</u>	<u>Employer Allocation Percentage</u>
City of New Bedford	\$ 32,201,554	87.6200%
New Bedford Housing Authority	2,377,814	6.4700%
Greater NB Regional Voc. Tech HS	1,646,462	4.4800%
Greater NB Regional Refuse Mgmt. District	334,437	0.9100%
Southeastern Regional Transit Authority	191,107	0.5200%
	\$ 36,751,374	100.0000%

At December 31, 2020, the Authority’s proportion was 0.5200 percent, which was the same as its proportion measured as of December 31, 2019, when it was 0.5200 percent. Under GASB Statement No. 68, that change in proportion is noted in deferred outflows / inflows (below).

For the year ended June 30, 2021, the Authority recognized pension expense of \$202,558. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,932	\$ -
Changes of assumptions	70,535	-
Net difference between projected and actual earnings on pension plan investments	86,100	240,336
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,559	13,562
	\$ 271,126	\$ 253,898

\$0 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date of December 31, 2020. There were no employer contributions after December of 2020. Had employer contributions been made subsequent to the December 31, 2020 measurement date, it would have been recognized as a deferred outflow of resources in the year ended June 30, 2021 (per GASB Statement No. 71).

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Notes to Financial Statements (Continued)

June 30, 2021

12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)

Actuarial assumptions. The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement (not a list of all assumptions):

Inflation	2.3% per year
Salary increases	Group 1: 5% - 3.25%, based on service Group 4: 6% - 3.75%, based on service
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled members, the mortality rates were based on the RP-2014 Blue Collar Mortality Table, set forward one year, with full generational mortality improvement using Scale MP-2018. For further details on the assumptions used, please refer to the January 1, 2020 actuarial valuation.

The actuarial assumptions used in the January 1, 2020 valuation were prepared using generally accepted actuarial principles and practices and meet the parameters set by GASB Statement No. 68. The assumptions used represent the best estimate of anticipated experience of the system.

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 (2.3% per year, as indicated above). 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 Equities	32.00%	5.00%
International Equities	9.00%	5.50%
Emerging Markets Equities	9.00%	6.50%
Private Equity	10.00%	8.10%
Fixed Income	18.00%	30.00%
Real Estate	11.00%	3.10%
Alternatives (GTAA)	7.00%	2.30%
Timber	4.00%	3.20%
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent (as selected by the Retirement Board; this discount rate approximates the long-term expectation of investment returns). The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Under Chapter 32 of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a fully funded status by 2040. In addition, Chapter 32 also gives the Retirement Board the right to go directly to the Assessors of the community and add an additional property tax to bills for amounts not paid by employer. 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

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12. SRTA EMPLOYEE PENSION PLAN (CITY OF NEW BEDFORD CONTRIBUTORY RETIREMENT)
(Continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	\$ 2,241,037	\$ 1,811,336	\$ 1,447,498

Pension plan fiduciary net position. Detailed information about the System's fiduciary net position is available in the City of New Bedford financial statements.

Payables to the pension plan

At June 30, 2021, the Authority reported a payable of \$4,536 to the System for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

13. DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED)

a.) HOURLY PLAN

General Information about the Pension Plan

Plan description. The Hourly Plan's defined benefit pension plan provides pensions for all employees covered by the collective bargaining agreement between the Union and the Operating Company. The Hourly Plan is a *single-employer defined benefit pension plan* administered by the Southeast Regional Transit Authority and South Coast Transit Management. The Authority has agreed under terms of the operating agreement, to provide retirement benefits to the employees of the Operator and to continue playing benefits to those retired employees who were eligible to collect benefits. The Hourly Plan's provisions were last approved on July 1, 2015. There were no nonemployer contributing entities or special funding situations, as defined by GASB 68, for this plan.

Benefits provided. The Hourly Plan provides retirement, termination, disability, and death benefits. Retirement benefits for general employees are calculated as 1.5 percent of the employee's average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 62. Termination benefits are 100% vested after 5 years of vesting service and are the same as normal retirement benefits with income deferred until Normal Retirement Date. Termination benefits equal the accrued benefit on the date of termination multiplied by the vesting percentage. All employees are eligible for disability benefits after 10 years of service with monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date. Death benefits equal a monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. The amount paid for death benefits equal the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

There have been no changes in plan provisions during the measurement period (July 1, 2019 to June 30, 2020) or between the measurement date and the fiscal year end (June 30, 2021).

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June 30, 2021

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

Employees covered by benefit terms. At June 30, 2020 (the measurement date), the following employees were covered by the benefit terms:

Active plan members	126
Inactive plan members entitled to but not yet receiving benefits	30
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	112
Subtotal	268

Contributions. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined contribution for the measurement period ending June 30, 2020 is \$1,141,661 for employer contributions. The actuarially determined contribution for the upcoming measurement period ending June 30, 2021 is \$1,193,188. Currently, there is no written funding policy. It is assumed that the past contribution pattern will continue.

Net Pension Liability

The Hourly Plan's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement (not a complete list of all assumptions used):

Inflation	2.25% increase per year
Salary increases	4.00% increase each year until retirement
Investment rate of return	6.50% (long-term)
Discount rate	6.16% (single rate)

Mortality rates were based on the 2020 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female, both during and before the benefit payment period.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2020 Version. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2020 is 20-30 years.

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

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Notes to Financial Statements (Continued)

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13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

Asset Class	Expected Arithmetic Return	Expected Geometric Return	Target Allocation
US Equity - Large Cap	7.70%	6.20%	37.30%
US Equity - Mid Cap	8.00%	6.20%	4.17%
US Equity - Small Cap	8.55%	6.20%	3.08%
Non-US Equity	8.00%	6.20%	23.11%
Real Estate (direct property)	5.35%	5.00%	5.62%
Cash	1.20%	1.20%	2.25%
Core Bond	2.60%	2.45%	24.47%
Total			100.00%

Discount rate. The discount rate used to determine the total pension liability was 6.16%. The discount rate used for the prior measurement date was 6.50%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2020 to 2064. Benefit payments after 2114 are projected to be \$0.

The long-term rate of return of 6.50% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected benefit payments. Otherwise, a municipal bond rate of 3.30% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the measurement date.

The discount rate of 6.16% is the single rate that incorporates the long-term rate of return and municipal bond rate assumptions as described above.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at the beginning of the period	\$ 24,348,896	\$ 20,526,290	\$ 3,822,606
Changes for the year:			
Service cost	701,801	-	701,801
Interest	1,584,667	-	1,584,667
Differences between expected and actual experience	318,704	-	318,704
Changes in assumptions	754,615	-	754,615
Contributions - employer	-	1,005,742	(1,005,742)
Net investment income	-	98,037	(98,037)
Benefit payments, including refunds of employee contributions	(1,267,214)	(1,267,214)	-
Administrative expense	-	(14,744)	14,744
Net changes	2,092,573	(178,179)	2,270,752
Balances at the end of the period	\$ 26,441,469	\$ 20,348,111	\$ 6,093,358

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Notes to Financial Statements (Continued)

June 30, 2021

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Hourly Plan, calculated using the discount rate of 6.16 percent, as well as what the Hourly Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.16 percent) or 1 percentage point higher (7.16 percent) than the current rate:

	1% Decrease (5.16%)	Current Discount Rate (6.16%)	1% Increase (7.16%)
Hourly Plan Net Pension Liability	\$ 9,099,319	\$ 6,093,358	\$ 3,541,258

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

For the year ended June 30, 2021, the Hourly Plan recognized pension expense of \$1,490,229. At June 30, 2021, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 294,819	\$ 360,343
Changes of assumptions	1,253,396	226,282
Net difference between projected and actual earnings on pension plan investments	707,304	-
	\$ 2,255,519	\$ 586,625

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

Year ended June 30:	
2022	\$ 122,698
2023	631,996
2024	541,567
2025	372,633
2026	-
Thereafter	-
Subtotal - all years	\$ 1,668,894

Payable to the Pension Plan

At June 30, 2021, the Hourly Plan did not report any payables for outstanding amounts of contributions to the pension plan required for the year ended June 30, 2021.

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13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

b.) SALARIED PLAN

General Information about the Pension Plan

Plan description. The Salaried Employees' Pension Plan is a *single-employer defined benefit pension plan* administered by the Southeast Regional Transit Authority and South Coast Transit Management. The Salaried Plan's provisions were last approved on July 1, 2015. There were no nonemployer contributing entities or special funding situations, as defined by GASB 68, for this plan.

Benefits provided. The Hourly Plan provides retirement, termination, disability, and death benefits. Retirement benefits for general employees are calculated as 2.15% of the employee's average compensation times the employee's years of service, with maximum service of 40 years. For participants employed after November 1, 2015, the benefit amount changes to 1.65% of average compensation times service. Employees with 5 years of service are eligible to retire at age 62. Termination benefits are 100% vested after 5 years of vesting service and are the same as normal retirement benefits with income deferred until Normal Retirement Date. Termination benefits equal the accrued benefit on the date of termination multiplied by the vesting percentage. Totally and permanently disabled employees are eligible for disability benefits at attained age 55 after 10 years of service with monthly income payable until normal retirement reduced by 2% for a participant that does not qualify for social security disability for each year that the early retirement date precedes the normal retirement date with a max reduction of 20%. Death benefits equal a monthly annuity payable to spouse, deferred to participant's earliest retirement date if later than the date of death. The amount paid for death benefits equal the amount that would have been paid had the participant terminated employment on the date of death and survived to his/her earliest retirement age, retired with a qualified joint and 50% survivor annuity in effect, then died the next day.

There have been no changes in plan provisions during the measurement period (July 1, 2019 to June 30, 2020) and no changes in plan provisions were made between the measurement date and the fiscal year end (June 30, 2021).

Employees covered by benefit terms. At June 30, 2020 (the measurement date), the following employees were covered by the benefit terms:

Active plan members	24
Inactive plan members entitled to but not yet receiving benefits	13
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	27
Subtotal	64

Contributions. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The actuarially determined contribution for the measurement period ending June 30, 2020 is \$418,460 for employer contributions. The actuarially determined contribution for the upcoming measurement period ending June 30, 2021 is \$460,490. Currently, there is no written funding policy. It is assumed that the past contribution pattern will continue.

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13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

Net Pension Liability

The Salaried Plan's net pension liability was measured as of June 30, 2020 (for the employers' fiscal year ended June 30, 2021), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25% increase per year
Salary increases	3.50% increase each year until retirement
Investment rate of return	6.50% (long-term)
Discount rate	6.50% (single rate)

Mortality rates were based on the 2020 IRS Prescribed Mortality – Optional Combined Table for Small Plans, male and female, during the benefit payment period.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2020 Version. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2020 is 20-30 years.

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>Expected Arithmetic Return</u>	<u>Expected Geometric Return</u>	<u>Target Allocation</u>
US Equity - Large Cap	7.70%	6.20%	37.34%
US Equity - Mid Cap	8.00%	6.20%	4.17%
US Equity - Small Cap	8.55%	6.20%	3.08%
Non-US Equity	8.00%	6.20%	23.23%
Real Estate (direct property)	5.35%	5.00%	5.63%
Cash	1.20%	1.20%	2.16%
Core Bond	2.60%	2.45%	<u>24.39%</u>
Total			<u><u>100.00%</u></u>

Discount rate. The discount rate used to determine the total pension liability was 6.50%. The discount rate used for the prior measurement date was 6.50%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2020 to 2108. Benefit payments after 2108 are projected to be \$0.

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June 30, 2021

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

The long-term rate of return of 6.50% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected benefit payments. Otherwise, a municipal bond rate of 3.30% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the measurement date.

The discount rate of 6.50% is the single rate that incorporates the long-term rate of return and municipal bond rate assumptions as described above.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at the beginning of the period	\$ 9,237,404	\$ 7,632,430	\$ 1,604,974
Changes for the year:			
Service cost	221,576	-	221,576
Interest	595,325	-	595,325
Differences between expected and actual experience	85,247	-	85,247
Changes in assumptions	(26,862)	-	(26,862)
Contributions - employer	-	365,779	(365,779)
Net investment income	-	79,988	(79,988)
Benefit payments, including refunds of employee contributions	(563,727)	(563,727)	-
Administrative expense	-	(31,683)	31,683
Net changes	<u>311,559</u>	<u>(149,643)</u>	<u>461,202</u>
Balances at the end of the period	<u>\$ 9,548,963</u>	<u>\$ 7,482,787</u>	<u>\$ 2,066,176</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Salaried Plan, calculated using the discount rate of 6.50 percent, as well as what the Salaried Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1 percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Salaried Plan Net Pension Liability	\$ 3,105,333	\$ 2,066,176	\$ 1,192,056

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

For the year ended June 30, 2021, the Salaried Plan recognized pension expense of \$644,404. At June 30, 2021, the Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Notes to Financial Statements (Continued)

June 30, 2021

13. **DEFINED BENEFIT PENSION PLANS (HOURLY AND SALARIED) (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 151,344	\$ -
Changes of assumptions	197,894	19,482
Net difference between projected and actual earnings on pension plan investments	208,146	-
	\$ 557,384	\$ 19,482

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

Year ended June 30:	
2022	\$ 174,425
2023	169,949
2024	111,920
2025	81,608
2026	-
Thereafter	-
Subtotal - all years	\$ 537,902

Payable to the Pension Plan

At June 30, 2021, the Salaried Plan did not report any payables for outstanding amounts of contributions to the pension plan required for the year ended June 30, 2021.

14. **PENSION INFORMATION**

As required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the table below presents the aggregate amount of pension expenses, pension liabilities (assets), and deferred inflows and outflows for the three defined benefit pension plans.

	New Bedford Contributory Retirement Plan	Hourly Plan	Salaried Plan	Total
Pension Expenses	\$ 239,997	\$ 1,626,148	\$ 697,085	\$ 2,563,230
Net Pension Liability (Asset)	1,811,337	6,093,358	2,066,176	9,970,871
Deferred Outflows	271,126	2,255,519	557,384	3,084,029
Deferred Inflows	253,898	586,625	19,482	860,005

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15. **OTHER POST EMPLOYMENT BENEFITS**

General Information about the OPEB Plan

Plan description. The Authority provides health, life and dental insurance benefits to actives, retirees, their dependents and beneficiaries in accordance with Chapter 32B of Massachusetts General Laws under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state laws and the Authority. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume and pay all claims for specific plans. The Plan does not issue a standalone financial report.

GASB Statement No. 75 requires the following disclosures in the financial statements:

Benefits provided. The Authority provides retiree medical, dental and life insurances. Employees are eligible for the retiree medical plan at age 55 and the completion of 10 years of service (if hired before April 2, 2012) or with 20 years of service regardless of age. Those hired on or after April 2, 2012 shall be eligible to retire upon attainment of age 60 with 10 years of credible service. Retirees shall pay 25% of the premiums in retirement.

The eligibility requirements for the dental and life insurance plans are the same as they are for the medical plan. However, employees will pay 0% of the premiums in retirement for the dental plan and 25% of the premiums in retirement for the life insurance plan.

Employees covered by benefit terms. At June 30, 2021 (the measurement date), the following employees were covered by the benefit terms:

Retired, Disabled, Survivors and Beneficiaries receiving benefits	1
Inactive plan members entitled to, but not yet receiving benefit payments	0
Active plan members	<u>5</u>
Subtotal	<u><u>6</u></u>

Contributions. The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. For the period ending on the June 30, 2021 measurement date, total Authority premiums plus implicit costs for the retiree medical program are \$3,867. The Authority is also made a contribution to the OPEB Trust of \$22,269 for a total contribution of \$26,136.

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019, rolled forward to the measurement date.

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Notes to Financial Statements (Continued)

June 30, 2021

15. **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Actuarial assumptions. The total OPEB liability at the measurement date of June 30, 2021 (valuation date of July 1, 2019) was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	July 1, 2019
Measurement Date:	June 30, 2021
Reporting Date:	June 30, 2021
Actuarial Cost Method:	Individual Entry Age Normal
Single Equivalent Discount Rate:	5.25%, net of OPEB plan investment expense, including inflation
Compensation Increases:	3.00% per year
Inflation Rate:	2.50% per year
Healthcare Cost Trend Rates:	Medicare Supplement Plans: Initial Trend of 4.50% for 2020 grading down 0.00% per year for an ultimate trend rate of 4.50%.
	Non-Medicare Plans: Initial Trend of 4.50% for 2020 grading down 0.00% per year for an ultimate trend rate of 4.50%.
	Dental Plans: Initial Trend of 4.50% for 2020 grading down 0.00% per year for an ultimate trend rate of 4.50%.
Mortality Tables:	RP-2014 Blue Collar Employees projected generationally with scale MP-2016
Participation:	80% of future retirees are assumed to participate in the retiree medical plan upon retirement. 100% of future retirees are expected to elect life insurance.
Changes in Assumptions: From June 30, 2020 to June 30, 2021 Measurement Date	Due to GASB Statement No. 75 standards, the discount rate has been changed from 6.00% to 5.25% increasing the disclosed liability by \$42 thousand.
	The expected long-term medical trend has been updated to 4.50%.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results the experience of the plan and reasonable expectations and, in combination, represent the best estimate of the anticipated experience under the plan.

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Notes to Financial Statements (Continued)

June 30, 2021

15. **OTHER POST EMPLOYMENT BENEFITS (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 (assumed at 2.5% per year). 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 - Large Cap	32.75%	4.90%
Domestic Equity - Small/Mid Cap	7.25%	5.40%
International Equity - Developed Market	4.25%	5.32%
International Equity - Emerging Market	2.25%	6.26%
Domestic Fixed Income	29.25%	1.40%
International Fixed Income	2.25%	1.30%
Alternatives	7.25%	6.32%
Real Estate	4.25%	6.25%
Cash & Cash Equivalents	10.50%	0.00%
Total	100.00%	3.53%

Discount rate. The single equivalent discount rate used to measure the total OPEB liability was 5.25 percent (down from 6.00 percent at the prior measurement date). The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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June 30, 2021

15. **OTHER POST EMPLOYMENT BENEFITS (Continued)**

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at the beginning of the period (GASB 75)	\$ 253,222	\$ 158,844	\$ 94,378
Changes for the year:			
Service cost	16,448	-	16,448
Interest on Total OPEB Liability, Service Cost, and Benefit Payments	16,066	-	16,066
Changes in assumptions	42,003	-	42,003
Contributions - employer	-	22,269	(22,269)
Net investment income	-	32,400	(32,400)
Benefit payments withdrawn from the Trust	-	(3,867)	3,867
Benefit payments excluding Implicit Cost	(3,867)	-	(3,867)
Net changes	<u>70,650</u>	<u>50,802</u>	<u>19,848</u>
Balances at the end of the period	<u>\$ 323,872</u>	<u>\$ 209,646</u>	<u>\$ 114,226</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current discount rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net OPEB Liability (Asset)	\$ 182,923	\$ 114,226	\$ 60,868

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50 percent) or 1-percentage-point higher (5.50 percent) than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB Liability (Asset)	\$ 59,207	\$ 114,226	\$ 189,302

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in this report on the "Fiduciary Fund" page.

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June 30, 2021

15. ***OTHER POST EMPLOYMENT BENEFITS (Continued)***

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

For the year ended June 30, 2021, the Authority recognized OPEB expense of \$15,965. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 46,155
Changes of assumptions	36,003	10,548
Net difference between projected and actual earnings on pension plan investments	2,528	18,760
	\$ 38,531	\$ 75,463

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

Year ended June 30:	
2022	\$ (6,843)
2023	(6,842)
2024	(6,538)
2025	(7,381)
2026	(2,843)
Thereafter	(6,485)
Subtotal - all years	\$ (36,932)

Payable to the OPEB Plan

At June 30, 2021, the Authority reported a payable of \$19,857 for the outstanding amount of contributions to the OPEB Trust required for the year ended June 30, 2021.

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16. ***DEFERRED COMPENSATION PLANS***

Certain employees of the Authority are eligible to contribute to a deferred compensation plan pursuant to Section 457 of the Internal Revenue Code (“IRC”). Under this plan, the Authority withholds the amount of compensation mutually agreed upon with each participant up to a prescribed limit outlined in the plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights shall be held in one or more annuity contracts, issued by an insurance company qualified to do business in the state where the contract was issued, for the exclusive benefit of participants and beneficiaries under the plan. The Authority disclaims any and all rights with respect to entitlement to proceeds of any plan as set and deems them reserved solely for the benefit of participants under the terms of the plan.

Certain employees of the Authority are eligible to contribute to a deferred compensation plan pursuant to Section 401 of the IRC and ERISA Section 501. At the end of the plan year there were five (5) participants and the net plan assets totaled \$154,225.

17. ***RISK MANAGEMENT***

In conjunction with its normal operations, the Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of property and injuries to employees. The Authority purchases commercial insurance from independent third parties to cover these risks. There have been no claims that have exceeded insurance coverage.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that liabilities for self-insured claims be reported when it is probable that a loss has been incurred and the amounts can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The estimated liability for all self-insured losses incurred but not reported is not material at June 30, 2021.

18. ***LEGAL AND OTHER***

The Authority is involved in numerous lawsuits, claims and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority’s financial position.

19. ***COMMITMENTS***

On May 30, 2012 the Southeastern Regional Transit Authority signed an agreement with Goodyear Tire & Rubber Company through May 31, 2017. A new agreement was signed for the period of June 1, 2017 through July 31, 2022 with Bridgestone Americas Tire Operations, LLC. This agreement is to lease the Authority the number of tires sufficient to keep all of Southeastern Regional Transit Authority’s vehicles fully equipped and to provide an adequate reserve supply.

The Authority agrees to furnish to Bridgestone by the 15th day of each month a record of the daily revenue and non-revenue vehicle miles. The amount of monthly payments is computed by using the applicable billing rate per tire mile in effect during the preceding month.

20. ***ECONOMIC DEPENDENCY***

The Authority received a substantial amount of its support from federal and state governments. A significant reduction of this support, if this were to occur, may have an effect on operations.

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21. ***TRANSIT SERVICE***

The operation of the Authority's fixed route service and maintenance of the Authority's transportation property are performed by First Transit under the terms of an agreement whereby First Transit operates mass transit along such routes and according to such a schedule as defined by the Authority. First Transit uses South Coast Transit Management, Inc. (SCTM), a wholly owned subsidiary, for the performance of the actual fixed route and ADA paratransit operations. In return, the Authority agrees to pay First Transit a management fee and to reimburse SCTM for all costs and expenses which are reasonable and necessary for the efficient operation of the service.

22. ***SUBSEQUENT EVENTS***

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2021, and through September 28, 2021, the date on which the financial statements were available to be issued.

On August 6, 2021, the Massachusetts Department of Transportation signed the 2022 fiscal year's contract assistance in the amount of \$6,117,601 of which half the amount (\$3,058,801) was received by the Authority on August 19, 2021.

The Authority issued a Revenue Anticipation Note (RAN) dated August 20, 2021 in the amount of \$6,000,000, with an interest rate of 1.00%. The due date of the RAN is August 19, 2022 and is to be used to fund operating expenses.

Subsequent to the valuation date of the OPEB liability (Note 15) a retiree ceased taking coverage. Had this been reflected, the OPEB liability would have decreased by \$82,401 from \$323,872 to \$241,471. The next valuation date is set to be July 1, 2021, which will be used for measurement dates June 30, 2022 and June 30, 2023. This change in census data will be reflected in the July 1, 2021 valuation.

23. ***FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS***

The GASB has issued the following statements:

- GASB Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

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- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented during fiscal year 2023. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.
- GASB Statement No. 97, *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 No. 84, and a supersession of GASB Statement No. 32*, which is required to be implemented during fiscal year 2022. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

These pronouncements will be implemented by their respective implementation dates.

24. **810 CMR 53.03(2) DISCLOSURE**

The Administrator (CEO), date of hire November 30, 2011, compensation for fiscal year 2021 was \$126,438. The CEO was paid \$4,721 for two weeks of unused vacation time buyback as per the Authority's personnel policies. The CEO receives a family health insurance plan and contributes 25% of the cost of the premium.

The Deputy Administrator & CFO, date of hire October 5, 2011, compensation for fiscal year 2021 was \$110,181. The Deputy Administrator & CFO was paid \$2,057 for one week of unused vacation time buyback as per the Authority's personnel policies. The Deputy Administrator & CFO receives a family health insurance plan and contributes 25% of the cost of the premium.

Advisory Board members and officers do not receive compensation.

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

Notes to Financial Statements (Continued)

June 30, 2021

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

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability –
New Bedford Contributory Retirement

Last 10 Fiscal Years*

	<u>2021</u>	<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 (asset)	0.5200%	0.5200%	0.4900%	0.4995%	0.4609%	0.4954%	0.4300%
Authority's proportionate share of the net pension liability (asset)	\$ 1,811,336	\$ 1,964,750	\$ 2,023,934	\$ 1,872,431	\$ 1,619,608	\$ 1,652,859	\$ 1,435,210
Authority's covered employee payroll	\$ 529,562	\$ 499,350	\$ 488,915	\$ 412,299	\$ 466,665	\$ 425,766	\$ 394,711
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	342.04%	393.46%	413.96%	454.14%	347.06%	388.21%	363.61%
Plan fiduciary net position as a percentage of the total pension liability	54.09%	49.20%	43.05%	47.29%	46.29%	44.37%	46.00%

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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

Required Supplementary Information

Schedule of Employer Contributions –
New Bedford Contributory Retirement

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's contractually required contribution	\$ 191,107	\$ 181,316	\$ 162,112	\$ 160,188	\$ 147,741	\$ 147,741	\$ 121,415
Authority's contributions in relation to the contractually required contribution	<u>191,107</u>	<u>181,316</u>	<u>162,112</u>	<u>160,188</u>	<u>147,741</u>	<u>147,741</u>	<u>121,415</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 529,562	\$ 499,350	\$ 488,915	\$ 412,299	\$ 466,665	\$ 425,766	\$ 394,711
Contributions as a percentage of covered-employee payroll	36.09%	36.31%	33.16%	38.85%	31.66%	34.70%	30.76%

Notes to Schedule

Valuation Date:

The January 1, 2020 actuarial valuation was used, in accordance with the parameters of GASB Statement No. 68, rolled forward for the December 31, 2020 measurement date.

Methods and assumptions used to determine contribution rates:

Contribution rates are recommended by the System's independent actuary and are approved by PERAC in order to comply with the applicable funding statute (MGL Chapter 32 Section 22F)

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios – Hourly Plan

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 701,801	\$ 612,517	\$ 551,377	\$ 666,967	\$ 499,413	\$ 478,461	\$ 428,907
Interest	1,584,667	1,573,589	1,483,051	1,397,531	1,405,327	1,342,457	1,274,483
Differences between expected and actual experience	318,704	(498,377)	137,727	(720,682)	(110,703)	(14,150)	147,415
Changes in assumptions	754,615	529,718	1,091,647	(2,036,526)	2,125,310	129,136	37,856
Changes in benefit terms	-	-	-	130,984	-	-	-
Benefit payments, including refunds of employee contributions	(1,267,214)	(1,211,457)	(1,179,095)	(1,136,275)	(1,114,642)	(1,040,049)	(852,624)
Net change in total pension liability	2,092,573	1,005,990	2,084,707	(1,698,001)	2,804,705	895,855	1,036,037
Total pension liability - beginning	24,348,896	23,342,906	21,258,199	22,956,200	20,151,495	19,255,640	18,219,603
Total pension liability - ending (a)	\$ 26,441,469	\$ 24,348,896	\$ 23,342,906	\$ 21,258,199	\$ 22,956,200	\$ 20,151,495	\$ 19,255,640
Plan fiduciary net position							
Contributions - employer	\$ 1,005,742	\$ 832,409	\$ 870,050	\$ 658,392	\$ 783,617	\$ 817,454	940,181
Other contributions ⁽¹⁾	-	-	-	(2,819)	(159,760)	-	-
Net investment income	98,037	1,042,955	1,562,065	2,792,716	(848,314)	45,708	2,679,160
Benefit payments, including refunds of employee contributions	(1,267,214)	(1,211,457)	(1,179,095)	(1,136,275)	(1,114,642)	(1,040,049)	(852,624)
Administrative expense	(14,744)	(16,745)	(20,622)	(10,972)	(26,662)	(16,424)	(10,722)
Net change in plan fiduciary net position	(178,179)	647,162	1,232,398	2,301,042	(1,365,761)	(193,311)	2,755,995
Plan fiduciary net position - beginning	20,526,290	19,879,128	18,646,730	16,345,688	17,711,449	17,904,760	15,148,765
Plan fiduciary net position - ending (b)	\$ 20,348,111	\$ 20,526,290	\$ 19,879,128	\$ 18,646,730	\$ 16,345,688	\$ 17,711,449	\$ 17,904,760
Hourly Plan's net pension liability - ending (a) - (b)	\$ 6,093,358	\$ 3,822,606	\$ 3,463,778	\$ 2,611,469	\$ 6,610,512	\$ 2,440,046	\$ 1,350,880
Plan fiduciary net position as a percentage of the total pension liability	76.96%	84.30%	85.16%	87.72%	71.20%	87.89%	92.98%
Covered-employee payroll	\$ 7,658,584	\$ 6,961,306	\$ 6,449,524	\$ 5,990,897	\$ 5,989,703	\$ 5,654,202	\$ 5,545,429
Hourly Plan's net pension liability as a percentage of covered employee payroll	79.56%	54.91%	53.71%	43.59%	110.36%	43.15%	24.36%

⁽¹⁾ A transfer of assets and liabilities was made for participants who moved from a bargained to a salaried status under the normal operation of the plan.

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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

Required Supplementary Information

Schedule of Contributions – Hourly Plan and the
Schedule of Money-Weighted Rate of Return for the Hourly Plan

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,141,661	\$ 1,042,554	\$ 821,682	\$ 886,046	\$ 790,070	\$ 783,617	\$ 817,454
Contributions in relation to the actuarially determined contribution	<u>1,005,742</u>	<u>832,409</u>	<u>870,050</u>	<u>658,392</u>	<u>783,617</u>	<u>817,454</u>	<u>940,181</u>
Contribution deficiency (excess)	<u>\$ 135,919</u>	<u>\$ 210,145</u>	<u>\$ (48,368)</u>	<u>\$ 227,654</u>	<u>\$ 6,453</u>	<u>\$ (33,837)</u>	<u>\$ (122,727)</u>
Covered-employee payroll	\$ 7,658,584	\$ 6,961,306	\$ 6,449,524	\$ 5,990,897	\$ 5,990,897	\$ 5,989,703	\$ 5,654,202
Contributions as a percentage of covered-employee payroll	13.13%	11.96%	13.49%	10.99%	13.08%	13.65%	16.63%

Notes to Schedule

Valuation Date:

A measurement date of June 30, 2020 has been used for the fiscal year ending June 30, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Cost Method, level percent of pay
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.25% long-term
Salary Increases	4.00% increase each year until retirement
Investment Rate of Return	6.50% (weighted average rate)
Retirement Age	Active and inactive participants are assumed to retire at normal retirement age, or current age if later, as defined in the Summary of Plan Provisions.
Mortality	2020 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, before and during benefit payment period

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

Schedule of Money-Weighted Rate of Return – Hourly Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Money-weighted rate of return	0.48%	5.32%	8.46%	17.35%	-5.78%	0.26%	17.73%

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

See independent auditor's report

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

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios – Salaried Plan

Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 221,576	\$ 193,671	\$ 154,180	\$ 183,518	\$ 144,110	\$ 158,780	\$ 147,089
Interest	595,325	580,460	544,420	517,265	484,292	479,405	468,215
Differences between expected and actual experience	85,247	87,586	173,816	(146,902)	156,886	(185,781)	(170,036)
Changes in assumptions	(26,862)	195,123	381,871	13,657	13,315	(42,284)	12,347
Change in benefit terms	-	-	-	236,148	-	-	-
Benefit payments, including refunds of employee contributions	(563,727)	(479,166)	(450,573)	(329,325)	(365,720)	(320,244)	(292,084)
Net change in total pension liability	311,559	577,674	803,714	474,361	432,883	89,876	165,531
Total pension liability - beginning	9,237,404	8,659,730	7,856,016	7,381,655	6,948,772	6,858,896	6,693,365
Total pension liability - ending (a)	<u>\$ 9,548,963</u>	<u>\$ 9,237,404</u>	<u>\$ 8,659,730</u>	<u>\$ 7,856,016</u>	<u>\$ 7,381,655</u>	<u>\$ 6,948,772</u>	<u>\$ 6,858,896</u>
Plan fiduciary net position							
Contributions - employer	\$ 365,779	\$ 259,992	\$ 343,163	\$ 203,002	\$ 237,824	\$ 259,296	201,848
Other contributions ⁽¹⁾	-	-	-	-	159,760	-	-
Net investment income	79,988	395,899	615,300	1,056,344	(209,692)	38,093	836,221
Benefit payments, including refunds of employee contributions	(563,727)	(479,166)	(450,573)	(329,325)	(365,720)	(320,244)	(292,084)
Administrative expense	(31,683)	(35,601)	(39,913)	(30,263)	(43,263)	(30,013)	(22,092)
Other	-	-	-	2,819	-	-	-
Net change in plan fiduciary net position	(149,643)	141,124	467,977	902,577	(221,091)	(52,868)	723,893
Plan fiduciary net position - beginning	7,632,430	7,491,306	7,023,329	6,120,752	6,341,843	6,394,711	5,670,818
Plan fiduciary net position - ending (b)	<u>\$ 7,482,787</u>	<u>\$ 7,632,430</u>	<u>\$ 7,491,306</u>	<u>\$ 7,023,329</u>	<u>\$ 6,120,752</u>	<u>\$ 6,341,843</u>	<u>\$ 6,394,711</u>
Salaried Plan's net pension liability - ending (a) - (b)	<u>\$ 2,066,176</u>	<u>\$ 1,604,974</u>	<u>\$ 1,168,424</u>	<u>\$ 832,687</u>	<u>\$ 1,260,903</u>	<u>\$ 606,929</u>	<u>\$ 464,185</u>
Plan fiduciary net position as a percentage of the total pension liability	78.36%	82.63%	86.51%	89.40%	82.92%	91.27%	93.23%
Covered-employee payroll	\$ 1,620,648	\$ 1,447,120	\$ 1,443,635	\$ 1,284,184	\$ 1,451,933	\$ 1,272,201	\$ 1,301,056
Salaried Plan's net pension liability as a percentage of covered employee payroll	127.49%	110.91%	80.94%	64.84%	86.84%	47.71%	35.68%

⁽¹⁾ A transfer of assets and liabilities was made for participants who moved from a bargained to a salaried status under the normal operation of the plan.

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

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

Required Supplementary Information

Schedule of Contributions – Salaried Plan and the
Schedule of Money-Weighted Rate of Return for the Salaried Plan

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 418,460	\$ 359,143	\$ 265,973	\$ 363,075	\$ 243,602	\$ 237,824	\$ 259,296
Contributions in relation to the actuarially determined contribution	<u>365,779</u>	<u>259,992</u>	<u>343,163</u>	<u>203,002</u>	<u>237,824</u>	<u>259,296</u>	<u>201,848</u>
Contribution deficiency (excess)	<u>\$ 52,681</u>	<u>\$ 99,151</u>	<u>\$ (77,190)</u>	<u>\$ 160,073</u>	<u>\$ 5,778</u>	<u>\$ (21,472)</u>	<u>\$ 57,448</u>
Covered-employee payroll	\$ 1,620,648	\$ 1,447,120	\$ 1,443,635	\$ 1,284,184	\$ 1,451,933	\$ 1,272,201	\$ 1,301,056
Contributions as a percentage of covered-employee payroll	22.57%	17.97%	23.77%	15.81%	16.38%	20.38%	15.51%

Notes to Schedule

Valuation Date:

A measurement date of June 30, 2020 has been used for the fiscal year ending June 30, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Cost Method, level percent of pay
Asset Valuation Method	Market value of assets as of the measurement date
Inflation	2.25% long-term
Salary Increases	3.5% increase each year until retirement
Investment Rate of Return	6.50% (weighted average rate)
Retirement Age	Active and inactive participants are assumed to retire at normal retirement age, or current age if later.
Mortality	2019 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, during benefit payment period
	2019 IRS Prescribed Mortality - Optional Combined Table for Small Plans, male and female, before benefit payment period

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

Schedule of Money-Weighted Rate of Return – Salaried Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Money-weighted rate of return	1.07%	5.39%	8.86%	17.55%	-3.36%	0.60%	14.90%

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

See independent auditor's report

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

Required Supplementary Information

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratios

For the Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability					
Service cost	\$ 16,448	\$ 15,810	\$ 19,738	\$ 14,925	\$ 24,539
Interest on total OPEB liability, service cost and benefit payments	16,066	17,340	15,932	14,791	16,087
Differences between expected and actual experience	-	(24,896)	-	-	(41,081)
Changes in assumptions	42,003	(14,766)	-	-	-
Benefit payments, including implicit cost	(3,867)	(3,730)	(14,537)	(17,951)	(3,609)
Net change in total OPEB liability	<u>70,650</u>	<u>(10,242)</u>	<u>21,133</u>	<u>11,765</u>	<u>(4,064)</u>
Total OPEB liability - beginning	253,222	263,464	242,331	230,566	234,630
Total OPEB liability - ending (a)	<u>\$ 323,872</u>	<u>\$ 253,222</u>	<u>\$ 263,464</u>	<u>\$ 242,331</u>	<u>\$ 230,566</u>
Plan fiduciary net position					
Contributions - employer	\$ 22,269	\$ 22,847	\$ 34,187	\$ 124,037	\$ 3,609
Contributions - employee	-	-	-	-	(3,609)
Net investment income	32,400	4,782	8,126	1,083	-
Benefit payments, including refunds of employee contributions	(3,867)	(3,730)	(14,537)	(17,951)	-
Net change in plan fiduciary net position	<u>50,802</u>	<u>23,899</u>	<u>27,776</u>	<u>107,169</u>	<u>-</u>
Plan fiduciary net position - beginning	158,844	134,945	107,169	-	-
Plan fiduciary net position - ending (b)	<u>\$ 209,646</u>	<u>\$ 158,844</u>	<u>\$ 134,945</u>	<u>\$ 107,169</u>	<u>\$ -</u>
Authority's net OPEB liability - ending (a) - (b)	<u>\$ 114,226</u>	<u>\$ 94,378</u>	<u>\$ 128,519</u>	<u>\$ 135,162</u>	<u>\$ 230,566</u>
Plan fiduciary net position as a percentage of the total OPEB liability	64.73%	62.73%	51.22%	44.22%	0.00%
Covered-employee payroll	\$ 479,314	\$ 465,353	\$ 479,918	\$ 465,940	\$ 465,940
Authority's net OPEB liability as a percentage of covered employee payroll	23.83%	20.28%	26.78%	29.01%	49.48%

** - Per GASB Statement No. 75, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 75.

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

Required Supplementary Information

Schedule of the Authority's OPEB Contributions and the
Schedule of Money-Weighted Rate of Return for the OPEB Trust Fund

For the Year Ended June 30, 2021

Schedule of the OPEB Authority's Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 21,567	\$ 22,278	\$ 28,762	\$ 34,843	\$ 47,233
Contributions in relation to the actuarially determined contribution	<u>22,269</u>	<u>22,847</u>	<u>34,187</u>	<u>124,037</u>	<u>3,609</u>
Contribution deficiency (excess)	<u>\$ (702)</u>	<u>\$ (569)</u>	<u>\$ (5,425)</u>	<u>\$ (89,194)</u>	<u>\$ 43,624</u>
Covered-employee payroll	\$ 479,314	\$ 465,353	\$ 479,918	\$ 465,940	\$ 465,940
Contributions as a percentage of covered-employee payroll	4.65%	4.91%	7.12%	26.62%	0.77%

** - Per GASB Statement No. 75, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 75.

Schedule of Money-Weighted Rate of Return – OPEB Trust

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Money-weighted rate of return	20.40%	3.39%	7.58%	1.54%	N/A

** - Per GASB Statement No. 75, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 75.

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

Supplementary Information

Statement of Revenues and Expenses - Budget and Actual

For the Year Ended June 30, 2021

	Budget As Adopted	Appropriations and Transfers	Total Available	Actual	Variance Favorable (Unfavorable)
Revenues:					
Cash Fares:					
Farebox revenue - fixed route	\$ 1,683,580	\$ (1,444,080)	\$ 239,500	\$ 276,412	\$ 36,912
Farebox revenue - paratransit	150,048	(115,048)	35,000	42,945	7,945
Auxiliary revenue	202,675	(72,043)	130,632	136,075	5,443
Total revenues	2,036,303	(1,631,171)	405,132	455,432	50,300
Expenses:					
Operating/Cost of Service:					
Fixed Route	13,974,501	(432,720)	13,541,781	13,730,981	(189,200)
Paratransit	3,779,472	(110,953)	3,668,519	3,710,812	(42,293)
Intermodal Centers	265,660	(11,096)	254,564	205,627	48,937
Fuel	1,200,000	(425,000)	775,000	706,320	68,680
Insurance	1,019,282	(8,282)	1,011,000	984,845	26,155
Management fees	612,462	(137,462)	475,000	473,462	1,538
SRTA administration	1,399,408	(57,044)	1,342,364	1,269,095	73,269
Total expenses	22,250,785	(1,182,557)	21,068,228	21,081,142	(12,914)
Other financing sources (uses):					
Transfer to Reserve Fund	-	-	-	(17,511)	(17,511)
Net Cost of Service:					
Federal Grants	10,292,269	76,109	10,368,378	10,312,803	(55,575)
State Contract Assistance	6,300,000	63,711	6,363,711	6,399,728	36,017
Other State Assistance	124,135	308,794	432,929	432,612	(317)
Local Assessments	3,498,078	-	3,498,078	3,498,078	-
Total other financing sources (uses):	20,214,482	448,614	20,663,096	20,625,710	(37,386)
Excess (deficiency) of revenues and other financing sources over expenses and other financing uses	\$ -	\$ -	\$ -	-	\$ -
Budgetary retained earnings at the beginning of year				\$ -	
Budgetary retained earnings at the end of year				\$ -	

See independent auditor's report

SOUTHEASTERN REGIONAL TRANSIT AUTHORITY
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Supplementary Information

Notes to the Statement of Revenues and Expenses - Budgetary Basis

For the Year Ended June 30, 2021

The accompanying Statement of Revenues and Expenses - Budget and Actual presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis do not differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective and entity differences in the excess (deficiency) of revenues over expenses for the year ended June 30, 2021 are as follows:

Increase (decrease) in net position - GAAP basis	\$ (386,276)
Capital grants and contributions	(3,307,612)
Depreciation	2,979,068
Pension expense (GAAP only)	774,567
OPEB expense (GAAP only)	(42,236)
Transfer to extraordinary repairs reserve	(17,511)
Increase (decrease) in net position - Budget basis	<u>\$ -</u>

See independent auditor's report

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

Supplementary Information

Statement of Revenue and Cost of Service

For the Year Ended June 30, 2021

Transportation revenue	<u>\$ 319,357</u>
Operating expenses:	
Fixed route	13,730,981
Paratransit	3,710,812
Intermodal centers	205,627
Amortization of grants	2,979,068
Fuel	706,320
Insurance	984,845
SRTA administration	1,269,095
Management fees	<u>473,462</u>
Total operating expenses	<u>24,060,210</u>
Net operating loss	(23,740,853)
Other income (expenses):	
Transfer to extraordinary reserve	(17,511)
Interest income	1,173
Auxiliary income	<u>134,902</u>
Cost of service in excess of revenue	<u><u>\$ (23,622,289)</u></u>

See independent auditor's report

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

Supplementary Information

Statement of Unreimbursed Cost of Service

For the Year Ended June 30, 2021

Balance at beginning of year	<u>\$ -</u>
Cost of service in excess of revenue	<u>(23,622,289)</u>
Add:	
Net cost of service reimbursable by the Commonwealth of Massachusetts, a portion of which is to be assessed to the cities and towns served by the Authority:	
Commonwealth of Massachusetts - State Contract Assistance	6,399,728
Local assessments	3,498,078
Federal operating assistance pursuant to Section 9 of the Urban Mass Transportation Act of 1964	10,312,803
Other state assistance	<u>432,612</u>
Total operating net cost of service reimbursements	20,643,221
Amortization of grants	<u>2,979,068</u>
Total subsidy	<u>23,622,289</u>
Balance at end of year	<u><u>\$ -</u></u>

See independent auditor's report