

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

WORCESTER REGIONAL TRANSIT AUTHORITY

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2023



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

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YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

To the Administrator of
Worcester Regional Transit Authority
Worcester, Massachusetts

Opinions

We have audited the accompanying financial statements of the Worcester Regional Transit Authority (the "Authority"), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that comprise the Authority's basic financial statements. The schedules listed under the other information section in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the other 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2023 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, contract, 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 the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Roselli, Clark & Associates".

Roselli, Clark & Associates
Woburn, Massachusetts
September 25, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Worcester Regional Transit Authority (the "Authority"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the financial statements, required supplementary information and other information as listed in the table of contents.

Financial Highlights

- The assets and deferred outflows of financial resources of the Authority exceeded its liabilities and deferred inflows of financial resources at June 30, 2023 by over \$81.2 million (*total net position*).
- The Authority continues to report a deficit in its unrestricted net position. The deficit in the unrestricted net position decreased approximately \$0.7 million in fiscal year 2023 to approximately \$20.1 million. This deficit is almost entirely attributable to long-term liabilities associated with the Authority's net other postemployment benefits and pension liabilities, which total over \$24.2 million at June 30, 2023.
- The Authority issued \$11.8 million in revenue anticipation notes payable in fiscal year 2023, which are set to mature in June 2024. The Authority did not maintain any long-term debt instruments at any time during fiscal year 2023.
- The Authority's operations are funded through a state-required computation of net cost of service. Except for the establishment of a small, restricted reserve, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is insufficient to cover expenses. The Authority incurred an approximate \$225,000 deficit in its unrestricted funds, which was entirely the result of its accounting for other postemployment benefits and pensions under accounting principles generally accepted in the United States of America, or GAAP.
- Fare-free services were extended throughout all fiscal year 2023 and expected to remain free for all of fiscal year 2024.

Overview of the Financial Statements

The Authority, a component unit of the Massachusetts Department of Transportation ("Mass DOT"), is a special purpose government engaged in a single business-type activity. The Authority follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. These basic financial statements are presented in a manner similar to a private business using the accrual basis of accounting.

This report consists of four parts – (1) management's discussion and analysis; (2) the basic financial statements, (3) required supplementary information, and (4) other information.

Management's discussion and analysis is intended to provide the user of these financial statements an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions or conditions.

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between those categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected member communities' assessments).

The statement of cash flows presents information on the Authority's cash receipts, cash payments and changes in cash resulting from operating, investing and financing activities.

The basic financial statements are accompanied by notes to the financial statements, which explain information in the basic financial statements in more detail.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's budget to actual results and progress in funding long-term obligations to its employees and retirees.

Finally, this report contains certain other information that is required by the Mass DOT.

Statement of Net Position

The condensed comparative statements of net position for the two most recent fiscal years are as follows:

	June 30, 2023	June 30, 2022	Dollar Change	Percent Change
Assets:				
Current and other assets	\$ 14,565,067	\$ 13,651,219	\$ 913,848	6.7%
Capital assets, net	<u>100,881,534</u>	<u>105,079,308</u>	<u>(4,197,774)</u>	-4.0%
Total Assets	<u>115,446,601</u>	<u>118,730,527</u>	<u>(3,283,926)</u>	-2.8%
Deferred Outflows of Resources	<u>4,480,858</u>	<u>2,556,846</u>	<u>1,924,012</u>	75.2%
Liabilities:				
Long-term liabilities	24,243,619	21,803,873	2,439,746	11.2%
Other liabilities	<u>13,712,670</u>	<u>12,798,822</u>	<u>913,848</u>	7.1%
Total Liabilities	<u>37,956,289</u>	<u>34,602,695</u>	<u>3,353,594</u>	9.7%
Deferred Inflows of Resources	<u>727,176</u>	<u>1,467,651</u>	<u>(740,475)</u>	-50.5%
Net Position:				
Net investment in capital assets	100,356,400	105,079,308	(4,722,908)	-4.5%
Restricted	968,183	968,183	-	0.0%
Unrestricted	<u>(20,080,589)</u>	<u>(20,830,464)</u>	<u>749,875</u>	-3.6%
Total Net Position	<u>\$ 81,243,994</u>	<u>\$ 85,217,027</u>	<u>\$ (3,973,033)</u>	-4.7%

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. The Authority's total net position decreased by nearly \$4.0 million from the prior year. This decrease was due primarily to depreciation expense exceeding current year capital asset additions.

The largest portion of the Authority's overall net position reflects its investment in capital assets including land, buildings and improvements, transportation equipment, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide transit services to its member communities; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position includes amounts restricted for extraordinary expenses. These amounts were accumulated in prior periods in accordance with a formula established under Massachusetts General Law. The use of these funds requires advance approval from Mass DOT.

The remaining category represents unrestricted net position, which currently has a deficit balance of approximately \$20.1 million. This deficit is entirely attributable to long-term liabilities associated with the Authority's net other postemployment benefits and pension liabilities, which total over \$24.2 million at June 30, 2023.

Statement of Revenues, Expenses and Changes in Net Position

The condensed comparative statements of revenues, expenses and changes in net position for the two most recent fiscal years are as follows:

	<u>Fiscal Year Ended June 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>
Revenues:				
Operating revenues	\$ 215,936	\$ 290,948	\$ (75,012)	-25.8%
Nonoperating revenues:				
Federal and state assistance	25,605,685	23,298,455	2,307,230	9.9%
Member communities' assessments	5,841,127	5,657,685	183,442	3.2%
Interest income	111,556	6,931	104,625	1509.5%
Total Revenues	<u>31,774,304</u>	<u>29,254,019</u>	<u>2,520,285</u>	8.6%
Expenses:				
Public transportation	29,754,246	28,032,201	1,722,045	6.1%
Administrative and professional	1,402,382	1,131,977	270,405	23.9%
Depreciation and amortization	6,861,691	7,116,857	(255,166)	-3.6%
Interest	263,069	35,403	227,666	643.1%
Other expenses	129,867	144,800	(14,933)	-10.3%
Total Expenses	<u>38,411,255</u>	<u>36,461,238</u>	<u>1,950,017</u>	5.3%
Change in Net Position Before				
Capital Contributions	(6,636,951)	(7,207,219)	570,268	-7.9%
Capital Contributions	<u>2,663,918</u>	<u>9,800,444</u>	<u>(7,136,526)</u>	-72.8%
Change in Net Position	<u>(3,973,033)</u>	<u>2,593,225</u>	<u>(6,566,258)</u>	-253.2%
Net Position:				
Beginning of year	<u>85,217,027</u>	<u>82,623,802</u>	<u>2,593,225</u>	3.1%
End of year	<u>\$ 81,243,994</u>	<u>\$ 85,217,027</u>	<u>\$ (3,973,033)</u>	-4.7%

Revenues – Operating revenues continue to be an insignificant inflow of resources to the Authority. The Authority continued providing fare-free transportation throughout all of fiscal year 2023.

Expenses – Total expenses increased nearly \$2.0 million, or 5.3%, year-over-year. This increase was due primarily to (1) an approximate \$1.7 million increase in public transportation expenses and (2) a nearly \$0.3 million increase in depreciation expense.

Public transportation expenses represent approximately 77% of total fiscal year 2023 and 2022 expenses. Increased fuel, energy and other public transportation service costs, together with increased labor costs, with the primary contributors to the over \$1.7 million increase in public transportation expenses.. The increase in depreciation expense was due to significant capital expenditures made over the past several fiscal years. No other expense category exceeded 10% of fiscal year 2023 or 2022 expenses.

Capital Asset and Debt Administration

Capital Assets – The Authority’s investment in capital assets as of June 30, 2023 totaled approximately \$100.9 million, net of accumulated depreciation. Net capital assets decreased nearly \$4.2 million year-over-year as current year depreciation expense exceeded capital additions.

Additional information on the Authority’s net capital assets can be found in the notes to the basic financial statements.

Long-Term Debt – The Authority did not maintain any long-term debt during fiscal year 2023.

The Authority completed an \$11.8 million revenue anticipation note sale in June 2023. This temporary note has a stated interest rate of 4.50% (true interest cost is 3.97%) and is scheduled for repayment in June 2024.

Additional information on the Authority’s long-term debt and temporary debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year’s Budget

- The Authority expects to continue to offer fare-free services through June 30, 2024. The Authority intends to use state and federal operating assistance to offset this revenue loss.
- The Massachusetts legislature has approved significant increases to public transit operating awards that are expected to commence in fiscal year 2024.
- Member communities’ assessments are permitted to increase up to 2 ½% annually plus the member communities’ proportionate share of any new services.

The above items were considered when the Authority set its preliminary fiscal year 2024 budget in April 2023. The fiscal year 2024 approved budgeted expenses totaled approximately \$34.4 million, of which approximately \$28.2 million of funding is expected from federal and state awards.

Requests for Information

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Administrator of the Worcester Regional Transit Authority, 60 Foster Street, Worcester, Massachusetts 01608.

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

STATEMENT OF NET POSITION
JUNE 30, 2023

Assets:

Current Assets:

Cash and cash equivalents	\$ 2,308,414
Receivables, net of allowances:	
Intergovernmental	3,095,446
Member communities	9,001,502
Other	22,575
Prepaid items	<u>137,130</u>
Total Current Assets	<u>14,565,067</u>

Noncurrent Assets:

Land and land improvements	20,919,303
Depreciable capital assets, net	<u>79,962,231</u>
Total Noncurrent Assets	<u>100,881,534</u>

Total Assets	<u>115,446,601</u>
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Deferred Outflows of Resources:

Other postemployment benefits	557,178
Pensions	<u>3,923,680</u>

Total Deferred Outflows of Resources	<u>4,480,858</u>
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(continued)

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

STATEMENT OF NET POSITION
JUNE 30, 2023

Liabilities:

Current Liabilities:

Accounts payable	\$ 1,451,029
Accrued payroll and related costs	269,145
Accrued expenses	36,000
Accrued interest	53,188
Unearned revenues	103,308
Short-term note payable	<u>11,800,000</u>
Total Current Liabilities	<u>13,712,670</u>

Noncurrent liabilities:

Net other postemployment benefits liability	7,986,476
Net pension liability	<u>16,257,143</u>
Total Noncurrent Liabilities	<u>24,243,619</u>

Total Liabilities	<u>37,956,289</u>
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Deferred Inflows of Resources:

Other postemployment benefits	713,354
Pensions	<u>13,822</u>
Total Deferred Inflows of Resources	<u>727,176</u>

Net Position:

Net investment in capital assets	100,356,400
Restricted for extraordinary expenses	968,183
Unrestricted	<u>(20,080,589)</u>
Total Net Position	<u>\$ 81,243,994</u>

(concluded)

See accompanying notes to basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

Operating Revenues	\$ 215,936
Operating Expenses:	
Public transportation	29,754,246
Administrative payroll and related expenses	951,331
Professional and other services	451,051
Depreciation and amortization	6,861,691
Other operating expenses	<u>129,867</u>
Total Operating Expenses	<u>38,148,186</u>
Operating Loss	<u>(37,932,250)</u>
Nonoperating Revenues (Expenses):	
Federal assistance	12,201,341
State assistance	13,404,344
Member communities' assessments	5,841,127
Investment income	111,556
Interest expense	<u>(263,069)</u>
Total Nonoperating Revenues (Expenses)	<u>31,295,299</u>
Income Before Capital Contributions	<u>(6,636,951)</u>
Capital Contributions:	
Federal and state assistance	3,437,376
Member municipality and other	177,314
Transfer of Union Station projects	<u>(950,772)</u>
Total Capital Contributions	<u>2,663,918</u>
Change in Net Position	(3,973,033)
Net Position:	
Beginning of the year	<u>85,217,027</u>
End of the year	<u><u>\$ 81,243,994</u></u>

See accompanying notes to basic financial statements.

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

STATEMENT OF CASH FLOWS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities:

Receipts from operating revenues	\$ 238,181
Payments to employees	(924,564)
Payments to vendors	<u>(30,270,574)</u>
Net Cash Used in Operating Activities	<u>(30,956,957)</u>

Cash Flows from Noncapital Financial Activities:

Proceeds from federal and state operating grants	24,034,272
Proceeds from member communities' assessments	<u>5,471,195</u>
Net Cash Provided By Noncapital Financing Activities	<u>29,505,467</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds from capital grants	2,663,918
Proceeds from the issuance of short-term debt	11,300,000
Acquisition and construction of capital assets	(2,663,917)
Repayments on short-term debt	(10,800,000)
Interest payments	<u>(322,327)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>177,674</u>

Cash Flow from Investing Activities:

Investment income	<u>111,556</u>
Net Cash Provided by Investing Activities	<u>111,556</u>

Decrease in Cash and Cash Equivalents	(1,162,260)
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Cash and Cash Equivalents:

Beginning of the year	<u>3,470,674</u>
End of the year	<u>\$ 2,308,414</u>

(continued)

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

STATEMENT OF CASH FLOWS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Loss	\$ (37,932,250)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation expense	6,861,691
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	(134,763)
Deferred outflows (inflows) of resources	(2,664,487)
Accounts payable and other current liabilities	473,106
Net OPEB and pension liabilities	<u>2,439,746</u>
Net Cash Used in Operating Activities	<u>\$ (30,956,957)</u>
	<i>(concluded)</i>

See accompanying notes to basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

I. Summary of Significant Accounting Policies

The basic financial statements of the Worcester Regional Transit Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles in the United States of America, or GAAP, as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Authority.

A. Reporting Entity

The Authority, a political subdivision of the Commonwealth of Massachusetts (the “Commonwealth”), provides public mass transportation in the City of Worcester and other communities within Worcester County. The Authority is primarily funded through member communities’ assessments and federal and state operating and capital subsidies.

The Authority is governed by an advisory board (the “Board”) comprised of representatives from member communities. The Board appoints an administrator to manage the Authority’s day-to-day operations. While legally separate, the Authority is considered a component unit of the Commonwealth of Massachusetts Department of Transportation (“Mass DOT”), which is a component unit of the Commonwealth, for financial reporting purposes.

B. Basis of Accounting and Financial Statement Presentation

The Authority is a special purpose government engaged in a single business-type activity. The Authority’s financial statements are reported using the accrual basis of accounting. Revenues and expenses are recorded when incurred, regardless of the timing of related cash flows.

The Authority’s financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing mass transit services to the general public. The principal operating revenues are passenger fares. Operating expenses primarily consist of the cost of transit services provided by third parties (see below), salaries and wages, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Authority is exempt from all federal and state income taxes as well as local property taxes.

The cost of transit services provided by third parties primarily represents contracted services with First Transit, Inc. and its wholly-owned subsidiaries Central Mass Transit Management, Inc. and Paratransit Brokerage Services TM, Inc. These entities manage and operate the Authority’s fixed route and certain demand response transit services. The majority of the employees of Central Mass Transit Management, Inc. are subject to a collective bargaining agreement, which expires in August 2025.

C. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position

Deposits – The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Authority reports its investments at fair value.

Receivables – Member communities’ assessments are generally collected subsequent to the year of assessment; accordingly, the Authority reports receivables from member communities’ assessments at year end. Additionally, intergovernmental receivables are reported at year end.

Federal and State Contract Assistance – The Federal Transit Administration (“FTA”) approved the use of federal capital funds for operating expenses for the fiscal year ended June 30, 2023. Any amounts unallowed by the FTA will be ultimately due from the Commonwealth and the member communities. Generally, state contract assistance ranges between 50% and 75% of the Authority’s net cost of service (as defined under Mass DOT guidelines), unless otherwise agreed upon by the parties.

Member Communities’ Assessments – Annual increases to member communities’ assessments are limited to 2.5% plus their proportionate share of new transit service costs incurred during the year.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in the financial statements.

Capital Assets – Capital assets, which include land, construction in-progress, buildings and improvements, transportation equipment (e.g., buses and vans) and office equipment are reported at historical cost. All material purchases and construction costs are capitalized at the date of acquisition or construction, respectively, if expected lives are deemed greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction in-progress) are depreciated by the Authority on a straight-line basis over the following estimated useful lives:

Buildings and improvements	3 to 40 years
Transportation equipment	5 to 12 years
Office equipment and other	5 to 15 years

Revenue Recognition – Revenue is recognized when services are performed and the Authority has completed all performance obligations. Unearned revenue represents receipts for which the Authority has not met all revenue recognition criteria.

Long-Term Debt – Long-term debt is reported as liabilities in these basic financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. The Authority did not maintain any long-term debt instruments at any time during fiscal year 2023.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows of resources relative to other postemployment benefits (“OPEB”) and pension-related transactions. The Authority expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next five years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources relative to pension-related transactions and expects to recognize these amounts over the next five years against personnel-related transactions.

Net Position – Net position reported as net investment in capital assets includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Restricted net position is comprised of a reserve for extraordinary costs and expenses, which is permissible under Section 6 of Massachusetts General Law Chapter 161B. This reserve fund consists of annual payments made by the Authority in amounts not to exceed 3% of the prior year’s member communities’ assessments, provided that the total reserve fund cannot exceed 20% of the prior year’s member communities’ assessment. Expenditures from this fund are subject to the approval of the Mass DOT.

Net position that does not meet the definitions above is reported as unrestricted.

D. Postemployment Benefits

Employees of the Authority are eligible to participate in a 457(b) deferred compensation plan.

Certain employees of Central Mass Transit Management, Inc. are eligible to participate in a defined benefit pension plan and a retiree health and life insurance plan. These plans are accounted for and presented in the Authority’s financial statements as the Authority is responsible for funding these postemployment benefit plans. Each plan issues annual audited financial statements, which can be obtained by contacting the chief financial officer of Central Mass Transit Management, Inc., 42 Quinsigamond Avenue, Worcester, MA 01610.

E. Budgetary Data

An annual budget is adopted by the Authority on a basis that differs from GAAP. A budgetary comparison is included as required supplementary information to the Authority’s financial statements. A reconciliation between the budgetary basis of accounting and GAAP is provided in the required supplementary information.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates used.

II. Detailed Notes to All Funds

A. Deposits

State laws and regulations require the Authority to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. treasury bonds, repurchase agreements, and the State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust, or MMDT. In addition, the statutes impose various limitations on the amount and length of investments and deposits.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority relies on depository insurance coverage at each financial institution to address this risk. At June 30, 2023, approximately \$1.6 million in bank deposits were uninsured.

B. Receivables

Receivables as of June 30, 2023, net of applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Member communities' assessments	\$ 9,001,502	\$ -	\$ 9,001,502
Intergovernmental:			
Commonwealth of Massachusetts	183,292	-	183,292
Federal government	2,912,154	-	2,912,154
Other	22,575	-	22,575
	<u>\$ 12,119,523</u>	<u>\$ -</u>	<u>\$ 12,119,523</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 20,919,303	\$ -	\$ -	\$ 20,919,303
Capital assets being depreciated:				
Buildings and improvements	80,446,993	74,652	-	80,521,645
Transportation equipment	51,107,463	2,291,451	(706,119)	52,692,795
Office equipment and other	2,432,622	297,814	(68,542)	2,661,894
Total capital assets being depreciated	133,987,078	2,663,917	(774,661)	135,876,334
Less accumulated depreciation for:				
Buildings and improvements	(14,723,900)	(2,328,468)	-	(17,052,368)
Transportation equipment	(33,329,276)	(4,220,564)	706,119	(36,843,721)
Office equipment and other	(1,773,897)	(312,659)	68,542	(2,018,014)
Total accumulated depreciation	(49,827,073)	(6,861,691)	774,661	(55,914,103)
Total capital assets being depreciated, net	84,160,005	(4,197,774)	-	79,962,231
Total capital assets, net	\$ 105,079,308	\$ (4,197,774)	\$ -	\$ 100,881,534

During the fiscal year ended June 30, 2023, the Authority procured \$950,772 in capital assets on behalf of the Worcester Redevelopment Authority through federal awards. These capital assets are not reflected in the activity above as the capital assets are not owned or under the control of the Authority.

D. Temporary Debt

The Authority is authorized to borrow on a temporary or short-term basis. Temporary borrowing activity for the year ended June 30, 2023 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
Revenue anticipation note	3.25%	matured	\$ 11,300,000	\$ -	\$ (11,300,000)	\$ -
Revenue anticipation note	4.50%	6/21/2024	-	11,800,000	-	11,800,000
			<u>\$ 11,300,000</u>	<u>\$ 11,800,000</u>	<u>\$ (11,300,000)</u>	<u>\$ 11,800,000</u>

E. Long-Term Obligations

The Authority issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities as needed. Additionally, the Authority incurs various other long-term obligations relative to postemployment personnel costs. The following table reflects the activity in the Authority's long-term liability accounts for the year ended June 30, 2023:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Net OPEB liability	\$ 8,262,102	\$ 2,247,190	\$ (2,522,816)	\$ 7,986,476	\$ -
Net pension liability	13,541,771	6,496,662	(3,781,290)	16,257,143	-
Total Long-Term Obligations	<u>\$ 21,803,873</u>	<u>\$ 8,743,852</u>	<u>\$ (6,304,106)</u>	<u>\$ 24,243,619</u>	<u>\$ -</u>

No amounts were due within one year for the long-term obligations detailed above.

Authorized But Unissued Debt – At June 30, 2023, there were no amounts authorized but unissued for long-term debt.

III. Other Information

A. Deferred Contribution Plan

The Authority established a 457(b) deferred contribution plan for eligible employees. Under this plan, the Authority contributes between 4% and 7% of individual eligible employees' compensation. The Authority recorded \$11,063 in expense relative to its contributions to this plan in fiscal year 2023.

B. Defined Benefit Pension Plan

The union employees of Central Mass Transit Management, Inc. participate in a defined benefit pension plan administer by Central Mass Transit Management, Inc. (the "Pension Plan") However, the financial responsibility and burden of the Pension Plan rests with the Authority and the employees' union. Accordingly, the Authority's proportionate share of the pension expense, net pension liability and associated deferred outflows and inflows of resources related to the Pension Plan are accounted and reported on the Authority's financial statements. Stand-alone financial statements are issued annually.

Current membership in the Pension Plan as of December 31, 2022 (the measurement and reporting date of the pension plan) was as follows:

Active plan members	141
Inactive vested plan members	33
Retirees and beneficiaries	146
Disabled	<u>6</u>
	<u>326</u>

In a January 2, 1996 letter, the Pension Benefit Guaranty Corporation ruled that the Pension Plan is a governmental pension plan within the meaning of Section 4021(b)(2) of the Employee Retirement Income Security Act of 1974, or ERISA. Accordingly, as a governmental pension plan, the Pension Plan is not subject to the minimum funding requirements of ERISA as contained in Internal Revenue Code Section 412.

Pension Plan Benefits – The Pension Plan provides for regular retirement benefits as well as accidental disability and preretirement death benefits. Participants are completely vested in the Pension Plan after five years’ creditable service. Under the terms of the Pension Plan, the normal retirement age is 65. The Pension Plan permits early retirement at age 55 with a minimum of five years’ credited service. Participants’ retirement benefits vary depending on years of credited service, age at retirement and retirement option selected by participants at the time of their retirement. The minimum annual retirement benefit is \$1,440.

Participants are eligible for disability retirement benefits if after completing five years’ creditable service a participant is determined to be totally and permanently disabled. Disability benefits vary depending on a disabled participants age at the time of disability. The minimum annual disability benefit is \$1,380.

Beneficiaries of participants who died and who have not yet vested in the Pension Plan will be paid the deceased participant’s accumulated contributions plus interest. For vested participants, the surviving beneficiary may elect a variety of retirement benefit options, which are determined based on the age and creditable service of the deceased participant.

Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active participants with less than five years’ creditable service or while in a salary progression contribute 9.5% of their total compensation; all other participants contribute 11.5% of their total compensation. Central Mass Transit Management, Inc. matches all employee contributions dollar-for-dollar plus an additional 3.0% effective September 2022. Employer contributions for the year ended December 31, 2022 totaled \$1,456,551.

Net Pension Liability – At June 30, 2023, the Authority reported a net pension liability of \$16,257,143. The net pension liability was measured as of January 1, 2023 by an actuarial valuation as of that date and rolled back to December 31, 2022. There were no significant changes to key actuarial assumptions in the most recent actuarial valuation.

The Authority’s proportion of the net pension liability is based on a projection of its long-term share of contributions to the Pension Plan.

Fiduciary Net Position – The elements of the Pension Plan’s basic financial statements (that is, all information about the Pension Plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Pension Plan’s full financial statements as of and for the year ended December 31, 2022, which can be obtained by contacting Central Mass Transit Management, Inc.

The Pension Plan’s fiduciary net position was determined using the accrual basis of accounting. The Pension Plan’s accounting records are maintained on a calendar-year basis. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Authority recognized \$1,988,128 in pension expense in fiscal year 2023.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Authority 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	\$ 1,001,047	\$ 13,486
Changes of assumptions	431,183	-
Net difference between projected and actual earnings on pension plan investments	675,527	-
Changes in proportion share of contributions	940,742	336
Contributions subsequent to the measurement date	875,181	-
	<u>\$ 3,923,680</u>	<u>\$ 13,822</u>

The deferred outflows and inflows of resources are expected to be recognized in the Authority's pension expense as follows:

Year ended June 30,

2024	\$ 1,692,279
2025	745,945
2026	759,061
2027	670,755
2028	41,818
	<u>\$ 3,909,858</u>

Actuarial Valuation – The measurement of the Pension Plan’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2023 and rolled back to December 31, 2022. The significant actuarial assumptions used in this actuarial valuation included:

Actuarial cost method	Entry age normal
Investment rate of return	7.5% per year, net of expenses
Compensation increases	3.00% per year
Employee termination	6.6% at age 20 grading to 0.3% at age 55; based on Table T-3 of the Actuary's Pension Handbook (less rates of mortality from 1951 Group Annuity Mortality Table)
Retirement age - males	2.0% at age 55 grading to 100% at age 70
Retirement age - females	5.5% at age 55 grading to 100% at age 70
Annual rate of disability	0.02% at age 20 grading up to 0.62% at age 60
Mortality	RP-2000 Mortality Table with improvements through 2015 using Scale AA for both pre-retirement and post-retirement
Pre-death benefit	Calculated using the aforementioned mortality, interest and termination assumptions and on the assumption that 100% of the participants have spouses; male participants are assumed to have spouses three years younger and female participants are assumed to have spouses three years older

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 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 rates of return by the target asset allocation percentage and by adding expected inflation. Target allocations by asset class to achieve the long-term expected rate of return on Pension Plan investments as of December 31, 2022 were:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity mutual funds	30% to 50%
Fixed income mutual funds	25% to 40%
International equity mutual funds	10% to 25%

Discount Rate – The discount rate used to measure the total pension liability in the December 31, 2022 actuarial valuation report was 7.5%, which was unchanged from the prior year. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A twenty-five-year funding schedule was developed by the Pension Plan’s independent actuary for the year ended December 21, 2022 based on the funding goal as described in the collective bargaining agreement.

Sensitivity Analysis – The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as its proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.50%	\$ 18,385,702	\$ 16,257,143	\$ 14,437,126

C. Other Postemployment Benefits

The union employees of Central Mass Transit Management, Inc. participate in a postemployment medical and life insurance benefit plan administered by Central Mass Transit Management, Inc. (the “OPEB Plan”). However, the financial responsibility and burden of the OPEB Plan rests with the Authority. Accordingly, the Authority accounts for and reports the OPEB expense, net OPEB liability and associated deferred outflows and inflows of resources related to the OPEB Plan. Stand-alone financial statements are issued annually.

Current membership in the OPEB Plan is as follows:

Active employees	164
Retirees and survivors	<u>173</u>
	<u><u>337</u></u>

Contributions – Retiree and survivor contributions to medical insurance vary depending on age, creditable service and retirement date and are collectively bargained. The monthly medical insurance benefit an individual retiree can receive cannot exceed their monthly pension benefit. The Company pays 100% of life insurance costs. The face values of the life insurance benefit range from \$3,000 to \$5,000 depending on the retiree’s years of creditable service. Central Mass Transit Management, Inc. is responsible for the cost of administering the OPEB Plan.

Net OPEB Liability – The Authority’s net OPEB liability was determined using an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023 (the measurement date). The components of the net OPEB liability of the Authority at June 30, 2023 were as follows:

Total OPEB liability	\$ 11,143,054
Plan fiduciary net position	<u>3,156,578</u>
Net OPEB liability	<u><u>\$ 7,986,476</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	28.3%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Asset valuation method	Market value on the reporting date
Investment rate of return	7.5% per year, net of expenses
Healthcare cost trend rates	4.5% per year
Participation	65% of future retirees are assumed to participate in the retiree medical insurance plan; 100% of future retirees are expected to participate in the life insurance plan
Marital status	50% of employees are assumed to have a covered spouse at retirement; wives are assumed to be three years younger than their husbands
Mortality	The 2008 IRS Static Mortality Table; for period after disability retirement, the RP-2000 Combined Healthy with improvements based on MP-2015

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

Asset Class	Target	
	Allocation	Benchmark Index
Fixed income mutual funds	40%	Barclays Aggregate
Domestic equity mutual funds	40%	Russell 3000
International equity mutual funds	20%	MSCI ACWI excluding USA

Discount Rate – The discount rate used to measure the total OPEB liability was 7.5%.

Investment Policy – The OPEB Plan adopted an investment policy in December 2010. Under this policy, the investment objective is to invest OPEB Plan assets using sound investment practices emphasizing long-term investment fundamentals, including portfolio diversification.

Rate of Return – The money-weighted rate of return on OPEB Plan investments expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The money-weighted rate of return for the OPEB Plan was 7.81% in fiscal year 2023.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2023:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2022	\$ 11,003,112	\$ 2,741,011	\$ 8,262,101
Changes for the year:			
Service cost	123,548	-	123,548
Interest	805,445	-	805,445
Employer contributions	-	979,051	(979,051)
Net investment loss	-	225,567	(225,567)
Benefit payments	(789,051)	(789,051)	-
Net changes	139,942	415,567	(275,625)
Balances at June 30, 2023	<u>\$ 11,143,054</u>	<u>\$ 3,156,578</u>	<u>\$ 7,986,476</u>

Sensitivity Analyses – The following presents the Authority's net OPEB liability calculated using the current discount rate of 7.5% as well as what the Authority's net OPEB liability using a discount rate that is 1% lower or higher than the current rate:

	Net OPEB Liability At			
Current Rate	1% Decrease	Current Rate	1% Increase	
7.50%	\$ 9,233,129	\$ 7,986,476	\$ 6,961,954	

The following presents the Authority's net OPEB liability calculated using the current healthcare trend rate assumption of 4.5% as well as what the Authority's net OPEB liability using a healthcare trend rate that is 1% lower or higher than the current rate:

	Net OPEB Liability At			
Current Rate	1% Decrease	Current Rate	1% Increase	
4.50%	\$ 6,871,998	\$ 7,986,476	\$ 9,225,249	

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the Authority recognized OPEB expense of \$807,215. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2023 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233,770	\$ 713,354
Net difference between projected and actual earnings on OPEB Plan investments	<u>323,408</u>	<u>-</u>
	<u>\$ 557,178</u>	<u>\$ 713,354</u>

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:

2024	\$ 54,757
2025	12,985
2026	(9,625)
2027	(178,711)
2028	<u>(35,582)</u>
	<u>\$ (156,176)</u>

D. Risk Financing

The Authority is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The amount of claim settlements has not exceeded insurances coverage in any of the previous three years.

E. Commitments and Contingencies

General – The Authority may be party to certain legal terms that arise during the normal course of operations. These legal claims are subject to many uncertainties, the outcome of which is not always predictable. The Authority does not believe any such material claims currently exist.

Environmental – The former property owner of the land where the Authority’s maintenance and operations facility is located was required to complete certain environmental remediation at no cost to the Authority, which was completed in fiscal year 2019. The Authority is responsible for ongoing monitoring. No provision has been made in these financial statements for any environmental matters as the Authority does not believe that its ongoing monitoring costs and efforts are material at this time.

Grants – Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

COVID-19 – Since the declaration of the COVID-19 pandemic, the Authority has suspended and waived passenger fares. Fare-free passenger services are expected to continue through June 30, 2024. The Authority covered these revenues losses through federal and state operating subsidies.

The Authority expects that it will continue to use federal and state subsidies to assist in covering these revenue losses. However, any loss or reduction of federal and state subsidies will have a material adverse effect on the Authority.

F. Economic Dependence

Operating assistance from the Commonwealth and federal government totaled approximately 41% and 40%, respectively, of total fiscal year 2023 operating and nonoperating revenues. Member communities' assessments totaled approximately 17% of total fiscal year 2023 operating and nonoperating revenues.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement was to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Authority.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Authority.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement was to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement became effective in fiscal year 2023. The adoption of this accounting standard did not have a material effect on the Authority.

B. Future Year Implementations

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The Authority is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The Authority is currently evaluating whether adoption will have a material impact on the financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	52.2%	\$ 16,257	\$ 11,591	140.3%	20.6%
2022	50.0%	13,542	10,558	128.3%	27.7%
2021	50.0%	13,031	10,215	127.6%	27.1%
2020	50.0%	13,179	10,191	129.3%	23.8%
2019	50.0%	12,532	9,784	128.1%	22.5%
2018	50.0%	12,138	9,006	134.8%	25.5%
2017	50.0%	11,979	9,419	127.2%	24.3%
2016	50.0%	11,737	9,125	128.6%	24.5%
2015	50.0%	11,011	8,239	133.6%	27.2%

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE PENSION PLAN
(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 1,635	\$ 1,457	\$ 178	\$ 11,591	12.6%
2022	1,120	1,232	(112)	10,558	11.7%
2021	1,120	1,215	(95)	10,215	11.9%
2020	989	1,104	(115)	10,191	10.8%
2019	1,038	1,053	(15)	9,784	10.8%
2018	891	1,031	(140)	9,006	11.4%
2017	969	962	7	9,419	10.2%
2016	937	877	60	9,125	9.6%
2015	783	809	(26)	8,239	9.8%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

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

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Service cost	\$ 124	\$ 129	\$ 121	\$ 113	\$ 108	\$ 115	\$ 110
Interest	790	870	858	790	782	810	792
Experience differences	-	(1,037)	-	747	-	(136)	-
Changes in assumptions	-	-	-	-	-	274	-
Benefit payments	(789)	(832)	(786)	(749)	(805)	(711)	(667)
Net Change in Total OPEB Liability	125	(870)	193	901	85	352	235
Total OPEB Liability:							
Beginning of year	11,018	11,888	11,695	10,794	10,709	10,357	10,122
End of year (a)	\$ 11,143	\$ 11,018	\$ 11,888	\$ 11,695	\$ 10,794	\$ 10,709	\$ 10,357
Plan Fiduciary Net Position:							
Contributions	\$ 979	\$ 1,012	\$ 970	\$ 946	\$ 950	\$ 891	\$ 842
Net investment income (loss)	221	(624)	573	103	130	110	138
Benefit payments	(799)	(832)	(786)	(749)	(770)	(711)	(661)
Net Change in Plan Fiduciary Net Position	401	(444)	757	300	310	290	319
Plan Fiduciary Net Position:							
Beginning of year	2,756	3,200	2,443	2,143	1,833	1,543	1,224
End of year (b)	\$ 3,157	\$ 2,756	\$ 3,200	\$ 2,443	\$ 2,143	\$ 1,833	\$ 1,543
Net OPEB Liability — End of Year (a) - (b)	\$ 7,986	\$ 8,262	\$ 8,688	\$ 9,252	\$ 8,651	\$ 8,876	\$ 8,814
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	28.33%	25.01%	26.92%	20.9%	19.9%	17.1%	14.9%
Covered payroll	\$ 10,888	\$ 10,520	\$ 10,146	\$ 9,803	\$ 9,072	\$ 9,072	\$ 7,715
Net OPEB Liability as a Percentage of Covered Payroll	73.3%	78.5%	85.6%	94.4%	95.4%	97.8%	114.2%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

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

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially- Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2023	\$ 936	\$ 979	\$ (43)	\$ 10,888	9.0%
2022	924	1,012	(88)	10,520	9.6%
2021	962	970	(8)	10,146	9.6%
2020	961	924	37	9,803	9.4%
2019	1,251	950	301	9,072	10.5%
2018	1,282	891	391	9,072	9.8%
2017	1,247	842	405	7,715	10.9%

Notes to Schedule:

Asset valuation method	Market value on the reporting date
Actuarial cost method	Entry age normal
Investment rate of return	7.5% per year
Healthcare cost trend rates	4.5% per year
Participation	65% of future retirees are assumed to participate in the retiree medical plan; 100% of future retirees are expected to participate in the life insurance plan
Mortality	The 2008 IRS Static Mortality Table; for the period after disability retirement, the RP-2000 Combined Healthy with improvements based on MP-2015

SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30,	Annual Money- Weighted Rate of Return (net of investment expenses)
2023	7.81%
2022	-18.35%
2021	23.13%
2020	4.95%
2019	6.77%
2018	6.73%
2017	10.60%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Positive
	Original	Final	Budgetary	(Negative)
			Amounts	Variance
Revenues:				
Federal operating assistance	\$ 11,194,384	\$ 12,881,867	\$ 12,147,952	\$ (733,915)
Commonwealth of Massachusetts:				
Contract assistance	12,582,012	12,999,407	12,999,407	-
Other operating assistance	72,000	476,937	458,327	(18,610)
Member communities' assessments	5,778,169	5,799,127	5,841,127	42,000
Passenger fares	1,397,913	-	-	-
Advertising and other	251,619	272,555	327,493	54,938
Total Revenues	31,276,097	32,429,893	31,774,306	(655,587)
Expenditures:				
Fixed route transit services	22,011,054	23,005,282	22,997,188	8,094
Demand response	5,313,467	5,339,217	4,631,727	707,490
Brokerage and customer service	1,694,967	1,694,967	1,812,368	(117,401)
Administration	1,640,407	1,730,070	1,667,622	62,448
Management fee	404,791	402,332	402,332	-
Interest	211,411	258,025	263,069	(5,044)
Total Expenditures	31,276,097	32,429,893	31,774,306	655,587
Net Budget	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

See accompanying independent auditors' report.

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

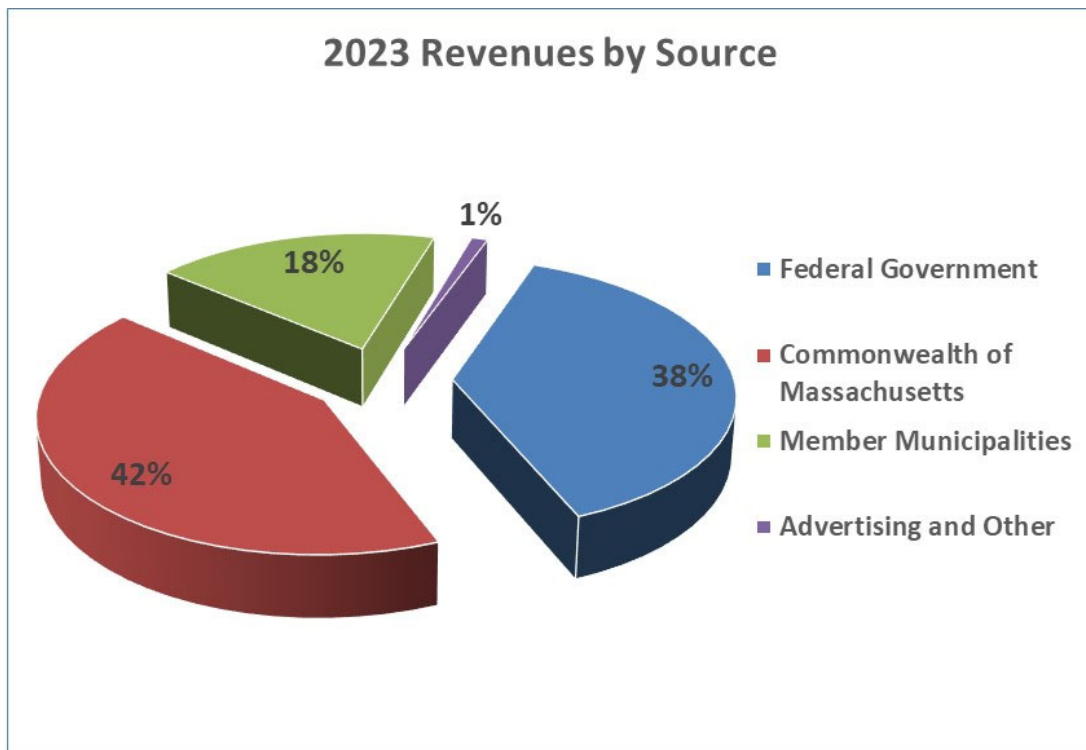
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

An annual budget is legally adopted by the Authority. The Authority's Administrator oversees the budgeting process, which is approved annually by the Advisory Board.

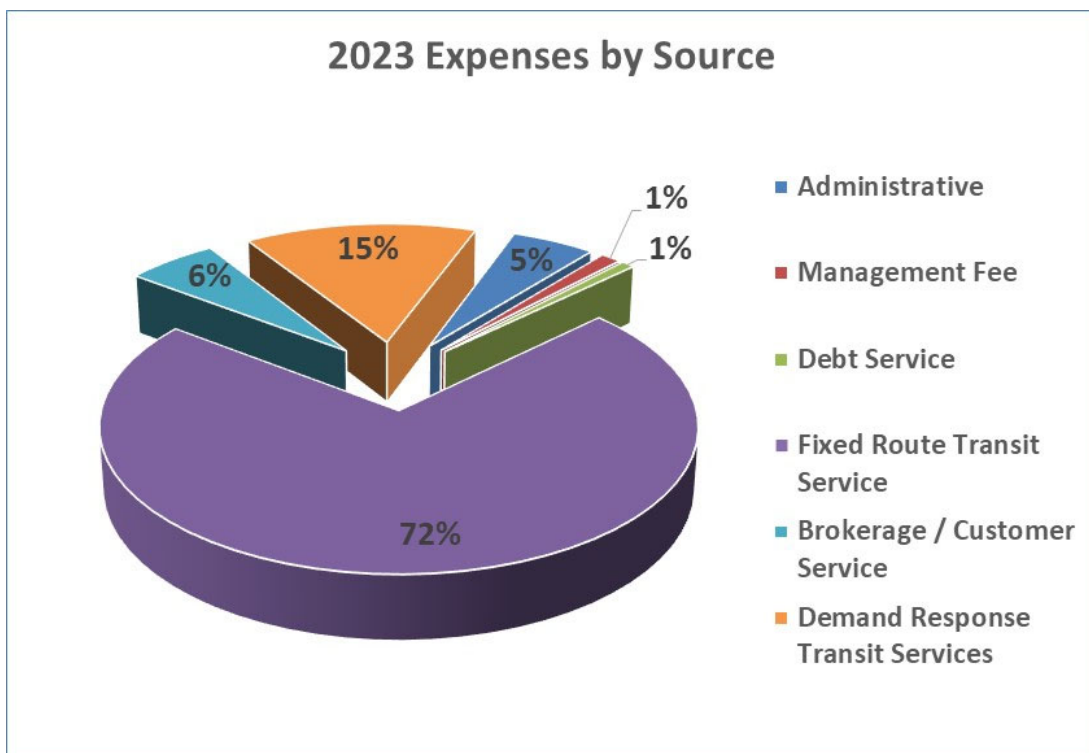
The Authority's annual budget is prepared on a basis of accounting other than GAAP. The actual budgetary amounts column of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis is presented on a budgetary basis to provide meaningful comparison to the adopted budget. A complete reconciliation is provided below:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Expenditures — budgetary basis			\$ 31,774,306
Depreciation and amortization	\$ -	\$ 6,861,691	6,861,691
Accounting for pensions	(52,906)	-	(52,906)
Accounting for other postemployment benefits	(171,836)	-	(171,836)
Expenditures — GAAP basis	<u>\$ (224,742)</u>	<u>\$ 6,861,691</u>	<u>\$ 38,411,255</u>

Actual Revenues – Budgetary Basis:



Actual Expenses – Budgetary Basis:



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

OTHER INFORMATION
SCHEDULE OF NET COST OF SERVICE

I. Operating Costs		
A.	RTA Administrative Costs (Excluding Depreciation)	\$ 1,586,410
B.	Purchased Services	
	Fixed Route	23,384,177
	Demand Response	6,312,667
	Brokerage	-
C.	Debt Service	263,069
D.	Less GASB Statement #68 and #75 Adjustment	<u>224,741</u>
	Total Operating Costs	\$ 31,771,064
II. Federal Operating Assistance:		
A.	FTA Operating	12,201,342
B.	Other Federal	<u>-</u>
	Total Federal Assistance	12,201,342
III. Revenues		
A.	Operating:	
	1. Fare Box Revenue	-
B.	Brokerage Service Reimbursement	-
C.	Other State Assistance	404,937
D.	Other Revenues:	
	1. Advertising	142,220
	2. Parking	-
	3. Sale of Capital Assets	-
	4. Interest Income	111,556
	5. Miscellaneous	<u>70,475</u>
	Total Revenues	<u>729,188</u>
		12,930,530
IV. Net Operating Deficit (I-II-III)		18,840,534
V. Adjustments:		
A.	Extraordinary Expenses (Not to Exceed 3% of Prior Year's Local Assessment)	<u>-</u>
VI. Net Operating Deficit After Adjustment		18,840,534
VII. Net Cost of Service Funding		
A.	Local Assessments	5,841,127
B.	State Contract Assistance	12,999,407
	1. Less: Adjustment For Exceeding 2 1/2% Cap on Prior Year Net Operating Expenses	<u>-</u>
C.	State Contract Assistance to be Funded	-
	1. Less: Forward Funding Made by DOT Before July 1,	<u>-</u>
D.	Balance Requested From (Due To) State	<u>\$ -</u>
VIII. Unreimbursed Deficit (Surplus) (IV-VLA-VIC)		<u>\$ -</u>

See accompanying independent auditors' report.

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

OTHER INFORMATION
SCHEDULE OF NET COST OF SERVICE BY MUNICIPALITY

	2023 Actual	Cherry Sheet	Increase (Decrease)	2022 Actual	Increase (Decrease)
	Assessments	Estimates	in Cherry Sheet	Assessments	in Actual
			Estimates		Assessments
Auburn	\$ 284,160	\$ 292,051	\$ (7,891)	\$ 284,928	\$ (768)
Barre	3,340	5,460	(2,120)	5,327	(1,987)
Boylston	3,332	469	2,863	458	2,874
Brimfield	1,232	2,108	(876)	2,057	(825)
Brookfield	12,202	11,694	508	11,409	793
Charlton	91,843	97,863	(6,020)	95,476	(3,633)
Clinton	12,895	13,322	(427)	12,997	(102)
Douglas	6,531	4,019	2,512	3,921	2,610
Dudley	37,185	22,976	14,209	22,416	14,769
East Brookfield	15,800	16,160	(360)	15,766	34
Grafton	70,876	88,781	(17,905)	86,616	(15,740)
Holden	13,262	12,011	1,251	11,718	1,544
Holland	3,122	2,707	415	2,641	481
Leicester	137,621	146,093	(8,472)	142,530	(4,909)
Millbury	106,044	101,147	4,897	98,680	7,364
New Braintree	962	888	74	866	96
Northborough	27,578	31,483	(3,905)	30,715	(3,137)
Northbridge	97,057	123,703	(26,646)	120,686	(23,629)
North Brookfield	3,214	1,690	1,524	1,649	1,565
Oakham	1,902	927	975	904	998
Oxford	90,089	92,934	(2,845)	90,667	(578)
Paxton	137	1,000	(863)	976	(839)
Princeton	3,093	1,758	1,335	1,715	1,378
Rutland	9,997	12,678	(2,681)	12,369	(2,372)
Shrewsbury	120,778	91,295	29,483	89,068	31,710
Southbridge	135,541	128,357	7,184	125,226	10,315
Spencer	109,281	109,258	23	106,593	2,688
Sturbridge	47,565	41,657	5,908	40,641	6,924
Sutton	9,326	12,192	(2,866)	11,895	(2,569)
Wales	458	390	69	380	78
Warren	9,504	8,761	743	8,547	957
Webster	89,247	75,621	13,626	73,777	15,470
Westborough	10,638	175	10,463	171	10,467
West Boylston	81,405	78,951	2,454	77,025	4,380
West Brookfield	4,428	4,160	268	4,059	369
Worcester	4,192,482	4,164,385	28,097	4,062,816	129,666
	<u>\$ 5,844,127</u>	<u>\$ 5,799,126</u>	<u>\$ 45,001</u>	<u>\$ 5,657,685</u>	<u>\$ 186,442</u>

See accompanying independent auditors' report.