

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

Basic Financial Statements, Supplementary Data
June 30, 2023

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

The Reporting Entity

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

Overview of the Financial Statements

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

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

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

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

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

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MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Condensed Financial Information

Statement of Net Position
(000 omitted)

	2023	2022	2021
Current assets	\$ 3,162	\$ 3,243	\$ 3,273
Capital assets, net	27,842	23,151	22,733
Restricted and noncurrent assets	6,514	3,300	6,105
Total assets	37,518	29,694	32,111
Deferred outflows of resources	431	277	223
Total assets and deferred outflows of resources	37,949	29,971	32,334
Restricted 11nd noncurrent liabilities	6,603	3,411	6,485
Current liabilities	987	379	686
Total liabilities	7,590	3,790	7,171
Deferred inflows of resources	235	588	205
Total liabilities and deferred inflows of resources	7,825	4,378	7,376
Net position			
Invested in capital assets	27,842	23,151	22,733
Restricted	2,164	787	908
Unrestricted	118	1,655	1,317
Total net position	\$ 30,124	\$ 25,593	\$ 24,958

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Condensed Financial Information (continued)

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

	2023	2022	2021
Operating revenues			
Transportation services	\$ 1,798	\$ 1,779	\$ 1,289
Operating expenses			
Cost of transportation service, maintenance and administration	8,044	6,295	5,146
Depreciation and amortization	3,302	2,865	2,443
	<u>11,346</u>	<u>9,160</u>	<u>7,589</u>
Operating loss	<u>(9,548)</u>	<u>(7,381)</u>	<u>(6,300)</u>
Nonoperating revenues and (expenses)			
Operating assistance	6,296	4,727	3,903
Other nonoperating	(59)	(96)	(117)
	<u>6,237</u>	<u>4,631</u>	<u>3,786</u>
Loss before capital contribution	<u>(3,311)</u>	<u>(2,750)</u>	<u>(2,514)</u>
Capital contributions	7,842	3,385	5,573
Change in net position	4,531	635	3,059
Net position			
Beginning of year	25,593	24,958	21,899
End of year	<u>\$ 30,124</u>	<u>\$ 25,593</u>	<u>\$ 24,958</u>

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENTS DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2023 and 2022

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current year's operations, but not as severely as in 2022 and 2021. In fact, 2023 farebox revenue increased by \$34,000 over 2022, primarily due to increased ridership. However, it has not recovered to the Pre-Covid revenue amount. The current year farebox is \$1,516,000 and the 2019 (Pre-Covid) amount was \$1,698,000.

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$30,124,000.

The Authority's net position increased by \$4,531,000 during the current year.

The Authority's total assets increased in 2023 versus 2022 by \$7,824,000.

Total current assets decreased in 2023 versus 2022 by \$81,000 (2.5%).

Total net capital assets increased in 2023 versus 2022 by \$4,691,000 (20.3%). This was caused by capital acquisitions of \$7,931,000 less removals and depreciation. These acquisitions were funded by Federal and State capital grants.

The deferred outflows of resources related to pensions and OPEB had an increase of \$154,000 (55.6%) in 2023 versus 2022.

Total liabilities increased in 2023 versus 2022 by \$3,800,000 (100.3%). This was caused by increases in accounts payable of \$2,728,000, revenue anticipation notes of \$768,000 and net pension liability of \$379,000, less a decrease in lease liability of \$75,000.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Revenues

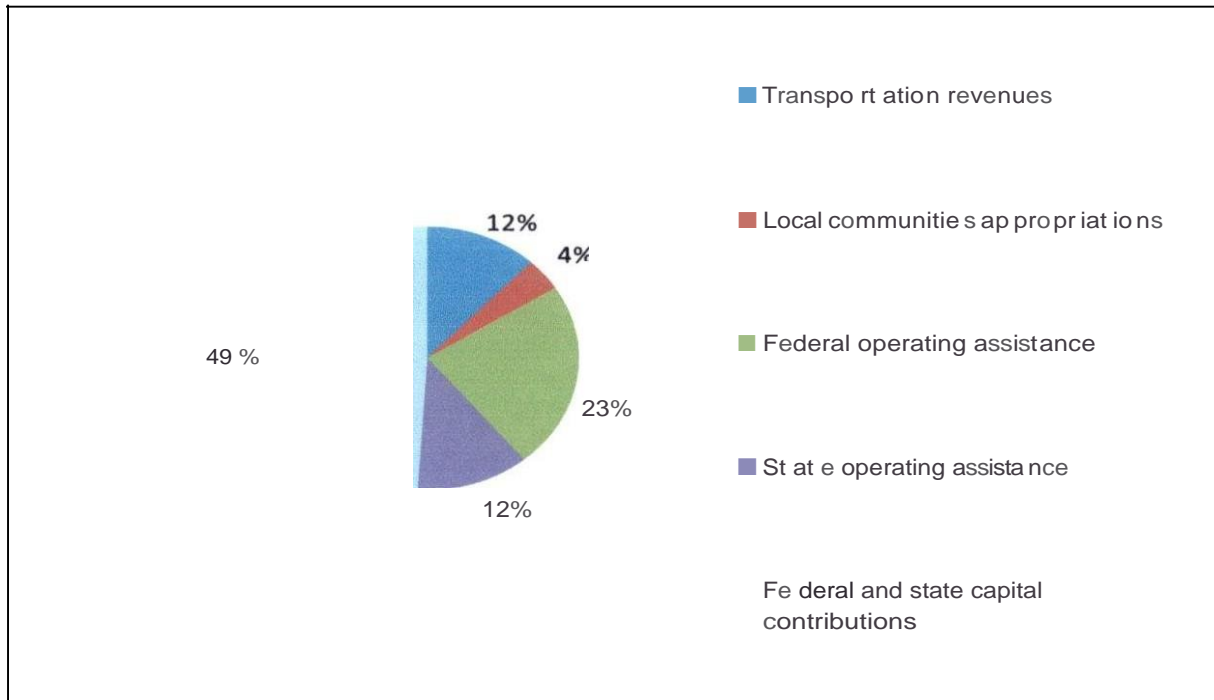
Total transportation service revenue increased in 2023 versus 2022 by \$19,000 (1.1%). This was caused by increases in farebox revenue of \$33,000 and decrease in other revenue of \$14,000.

Total operating assistance grants increased in 2023 versus 2022 by \$1,569,000 (33.2%). This was caused by the fact that reimbursable expense was higher in 2023 versus 2022; thus, more of a funding need existed. In addition, more funding was provided by the Federal and State governments.

Total capital contribution increased in 2023 versus 2022 by \$4,457,000 (131.7%). This was caused by higher capital expenditures in the current year; thus; more of a funding need existed in 2023.

Net position increased in 2023 by \$4,531,000. This was caused by operating assistance of \$6,295,000 and capital assistance of \$7,842,000, less an operating loss of \$9,547,000 and nonoperating loss of \$59,000.

Revenues by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Operating Expenses

Total operating expenses increased in 2023 versus 2022 by \$2,186,000 (23.9%).

The cost of transportation service increased in 2023 versus 2022 by \$876,000 (19.0%).

The total of maintenance expense increased in 2023 versus 2022 by \$895,000 (69.1%).

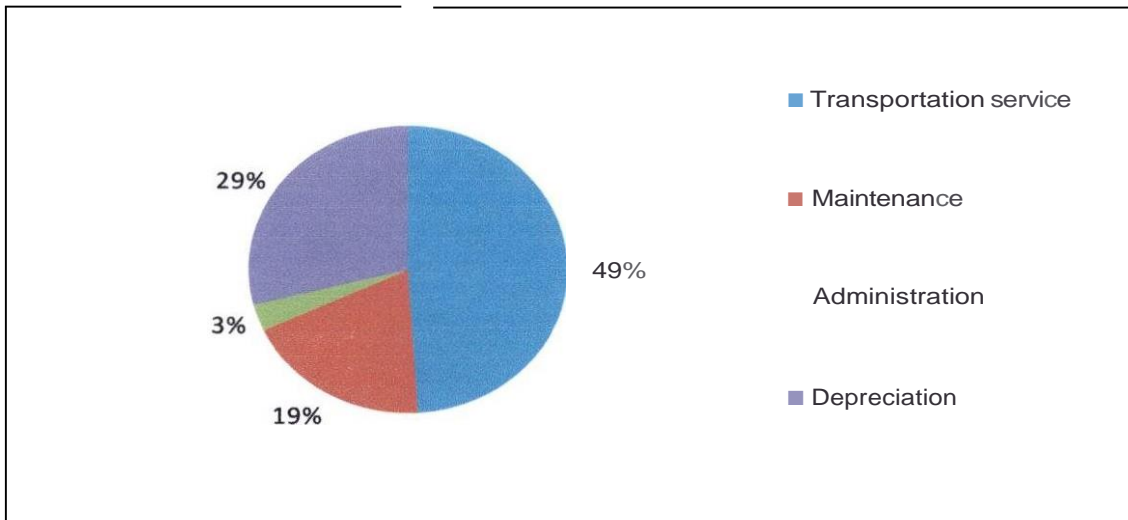
Total general and administration expense decreased in 2023 versus 2022 by \$22,000 (5.8%).

Depreciation and amortization expense increased in 2023 versus 2022 by \$437,000 (15.3%). This was primarily attributable to the addition of one full year of depreciation on 2022 acquisitions and one half year of depreciation on 2023 acquisitions.

The Authority's operating loss increased in 2023 versus 2022 by \$2,167,000 (29.4%). This was caused primarily by the increase in operating costs over the prior year. It is also the result of a recovery from Covid-19 related conditions.

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

Expenses by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2022 and 2021

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current years operations, but not as severely as in 2020 and 2021. In fact, 2022 farebox revenue increased by \$160,000 over 2021, primarily due to increased ridership. However, it has not recovered to the Pre-Covid revenue amount. The current year farebox is \$1,482,000 and the 2019 (Pre-Covid) amount was \$1,698,000.

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$25,593,000.

The Authority's net position increased by \$635,000 during the current year.

The Authority's total assets decreased in 2022 versus 2021 by \$2,417,000.

Total current assets decreased in 2022 versus 2021 by \$30,000 (1.0%).

Total net capital assets increased in 2022 versus 2021 by \$418,000 (1.8%). This was caused by capital acquisitions of \$3,302,000 less removals and depreciation. These acquisitions were funded by Federal and State capital grants.

The deferred outflows of resources related to pensions and OPEB had an increase of \$54,000 (24.2%) in 2022 versus 2021.

Total liabilities decreased in 2022 versus 2021 by \$3,381,000 (47.1%). This was caused by decreases in accounts payable of \$3,477,000, revenue anticipation notes of \$13,000 and net pension liability of \$123,000, less an increase in lease liability of \$232,000.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Revenues

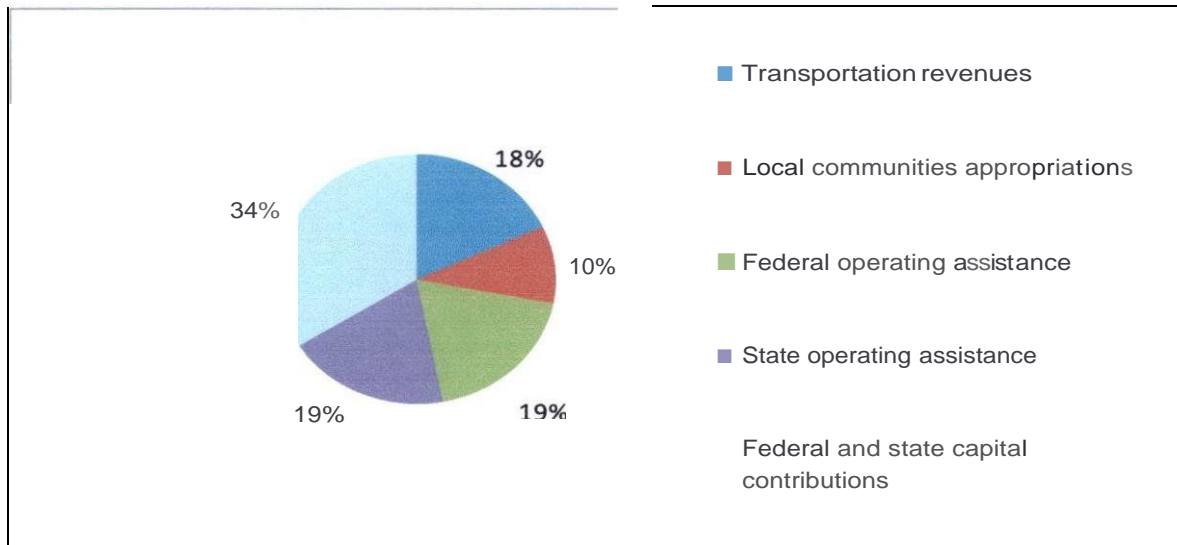
Total transportation service revenue increased in 2022 versus 2021 by \$490,000 (38.0%). This was caused by increases in farebox revenue of \$388,000 and other revenue of \$102,000.

Total operating assistance grants increased in 2022 versus 2021 by \$824,000 (21.1%). This was caused by the fact that reimbursable expense was higher in 2022 versus 2021; thus, more of a funding need existed. In addition, more funding was provided by the Federal and State governments.

Total capital contribution decreased in 2022 versus 2021 by \$2,188,000 (39.2%). This was caused by higher capital expenditures in the prior year; thus; less of a funding need existed in 2022.

Net position increased in 2022 by \$635,000. This was caused by operating assistance of \$4,727,000 and capital assistance of \$3,385,000, less an operating loss of \$7,381,000 and nonoperating loss of \$96,000.

Revenues by source:



MARTHAS VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Operating Expenses

Total operating expenses increased in 2022 versus 2021 by \$1,571,000 (20.7%).

The cost of transportation service increased in 2022 versus 2021 by \$684,000 (17.4%).

The total of maintenance expense increased in 2022 versus 2021 by \$255,000 (24.5%).

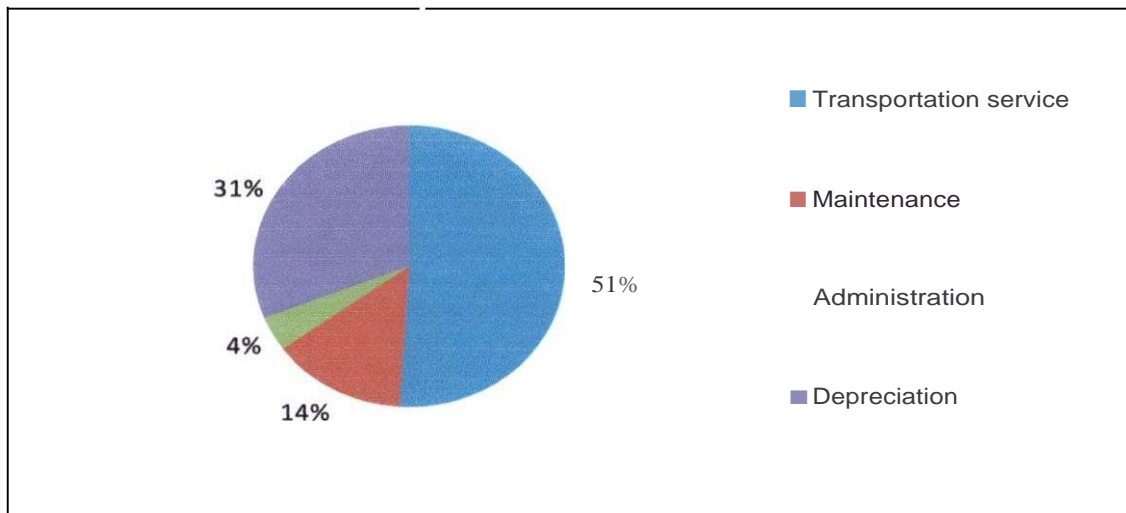
Total general and administration expense increased in 2022 versus 2021 by \$210,000 (1.2%).

Depreciation expense increased in 2022 versus 2021 by \$422,000 (17.3%). This was primarily attributable to the addition of one full year of depreciation on 2021 acquisitions and one half year of depreciation on 2022 acquisitions

The Authority's operating loss increased in 2022 versus 2021 by \$1,081,000 (17.2%). This was caused primarily by increased service over the prior year. It is the result of a recovery from Covid-19 related conditions.

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

Expenses by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
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Capital Assets

The Authority's capital assets as of June 30, 2023, amounted to \$27,842,000, net of accumulated depreciation. The Authority's investment in capital assets includes land, buildings and structures, vehicles, office and maintenance equipment and intangible assets. During 2023, the Authority invested \$7,931,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants. During the current year, the most significant capital asset acquisitions were the acquisition of vehicles and the electric bus infrastructure assets.

More detailed information regarding the Authority's capital asset activities for 2023 can be found in the notes to the financial statements.

Revenue Anticipation Note

The Authority had a revenue anticipation note, inclusive of premium, of \$2,768,000 and \$2,00,000 at the end of 2023 and 2022, respectively.

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily, 74%, from operating assistance from the Commonwealth and 26% by assessments to the member communities.

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

The Authority's operations were affected by the Coronavirus (Covid-19) during the current year as discussed previously. The Coronavirus and actions taken to mitigate have had and are expected to continue to have an adverse impact on the Authority's operations, but not as severe as in 2019, 2020 and 2021.

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Farebox revenue	\$1,260,000	\$1,094,000	\$1,482,000	\$1,515,000
Other revenue	219,000	195,000	297,000	2B3,000

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2023

Contacting the Authority's Financial Management

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

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

Statement of Net Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 65,850	\$ 669,125
Receivable for operating assistance	2,442,324	1,941,289
Prepaid fuel hedge		27,521
Inventory	372,110	402,568
Prepaid expense	251,611	171,985
Lease receivable	<u>30,332</u>	<u>31,085</u>
Total current assets	<u>3,162,227</u>	<u>3,243,573</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	319,454	307,574
Receivable for capital assistance	5,143,791	1,655,590
Total restricted assets	<u>5,463,245</u>	<u>1,963,164</u>
Receivable for operating assistance	558,904	544,915
Capital assets, net	27,841,623	23,151,269
Net OPEB asset	242,424	453,474
Lease receivable, less current portion	66,166	94,015
Right to use asset	182,993	243,991
Total restricted and noncurrent assets	<u>34,355,355</u>	<u>26,450,828</u>
Total assets	<u>37,517,582</u>	<u>29,694,401</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	265,887	146,940
Deferred outflows of resources related to OPEB	<u>165,898</u>	<u>130,239</u>
	431,785	277,179
Total assets and deferred outflows of resources	<u>37,949,367</u>	<u>29,971,580</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	910,161	305,049
Lease liability	<u>77,352</u>	<u>74,577</u>
Total current liabilities	<u>987,513</u>	<u>379,626</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable and accrued expense	<u>3,299,449</u>	<u>1,176,343</u>
Total liabilities payable from restricted assets	3,299,449	1,176,343
Lease liability, less current portion	80,232	157,584
Net pension liability	456,041	77,080
Revenue anticipation notes	<u>2,767,676</u>	<u>2,000,000</u>
Total restricted and noncurrent liabilities	<u>6,603,398</u>	<u>3,411,007</u>
Total liabilities	<u>7,590,911</u>	<u>3,790,633</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	50,050	273,503
Deferred inflows of resources related to OPEB	93,160	192,605
Deferred inflows of resources related to leases	<u>91,507</u>	<u>122,009</u>
	234,717	588,117
Total liabilities and deferred inflows of resources	<u>7,825,628</u>	<u>4,378,750</u>
NET POSITION		
Invested in capital assets	27,841,623	23,151,269
Restricted	<u>2,163,796</u>	<u>786,821</u>
Unrestricted	<u>118,320</u>	<u>1,654,740</u>
Total net position	<u>\$ 30,123,739</u>	<u>\$ 25,592,830</u>

See accompanying notes to financial statements

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

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2023 and 2022

	<u>2023</u>	
Operating revenues		
Transportation services	\$ 1,798,350	\$ 1,779,224
Operating expenses		
Cost of transportation service	5,495,645	4,619,869
Maintenance	2,190,964	1,295,722
General and administration	357,607	379,474
	<u>8,044,216</u>	<u>6,295,065</u>
Depreciation and amortization	3,301,826	<u>2,865,200</u>
	<u>11,346,042</u>	<u>9,160,265</u>
Operating loss	(9,547,692)	(7,381,041)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	3,713,201	1,828,647
Commonwealth of Massachusetts	1,923,180	1,889,575
Local	658,876	1,008,847
Loss on disposal of capital assets		(79,573)
Interest expense	<u>(59,028)</u>	<u>(16,540)</u>
	<u>6,236,229</u>	<u>4,630,956</u>
Loss before capital contributions	(3,311,463)	(2,750,085)
Capital contributions		
Federal	237,180	875,016
Commonwealth of Massachusetts	<u>7,605,192</u>	<u>2,510,001</u>
	<u>7,842,372</u>	<u>3,385,017</u>
Change in net position	4,530,909	634,932
Net position		
Beginning of year	<u>25,592,830</u>	<u>24,957,898</u>
End of year	\$ <u>30,123,739</u>	\$ <u>25,592,830</u>

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

Statement of Cash Flows

Year Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,764,663	\$ 1,712,363
Payments to vendors and suppliers	(6,333,741)	(5,372,212)
Payments to employees	(831,188)	(758,479)
Payments of fringe	<u>(198,809)</u>	<u>(172,219)</u>
Net cash used in operations	<u>(5,599,075)</u>	<u>(4,590,547)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	2,773,568	2,000,000
Repayment of revenue anticipation notes	(2,005,892)	(2,013,247)
Lease receivable proceeds	32,704	32,063
Operating assistance grants	5,783,419	4,242,181
Interest on notes	<u>(34,904)</u>	<u>(24,930)</u>
Net cash provided by noncapital financing activities	<u>6,548,895</u>	<u>4,236,067</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(5,808,077)	(6,398,136)
Capital contributions		
Federal Transit Administration	179,132	3,232,044
Commonwealth of Massachusetts	4,175,175	3,400,191
Lease liability payments	<u>(90,427)</u>	<u>(81,831)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,544,197)</u>	<u>152,268</u>
Cash flows from investing activities		
Interest income	2,982	1,869
Net cash provided by investing activities	<u>2,982</u>	<u>1,869</u>
Net Increase (decrease) In cash and cash equivalents	(591,395)	(200,343)
Cash and cash equivalents at beginning of year	976,699	1,177,042
Cash and cash equivalents at end of year	<u>\$ 385,304</u>	<u>\$ 976,699</u>
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (9,547,692)	\$ (7,381,041)
Adjustments to reconcile the operating loss to net cash used in operating activities:		
Depreciation and amortization expense	3,301,826	2,865,200
Post employment healthcare credit	75,946	(71,222)
Pension expense	36,561	(40,491)
Lease income		(30,502)
Other		13,253
Changes in assets and liabilities:		
Receivables, net	(3,185)	(36,359)
Prepaid fuel hedge		211,304
Other assets	(49,168)	262,988
Accounts payable and accrued expense	586,637	(383,677)
Net cash used in operations	\$ (5,599,075)	\$ (4,590,547)
Supplemental disclosures of noncash transactions		
Increase in accounts payable related to capital expenditures	\$ 2,123,106	\$ 3,096,026

See accompanying notes to financial statements

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2023 and 2022

1. The Reporting Entity

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

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

The operation of the Authority was performed by Transit Connection, Incorporated (the Operator). The Operator functions under terms and agreements whereby it provides mass transit along such routes and according to such schedules as may be defined by the Authority. The current agreement terminates January 31, 2024. The contract may be terminated by either party with ninety days notice.

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

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current year's operations, but not as severely as in 2020 and 2022. In fact, 2023 farebox revenue increased by \$34,000 over 2022, primarily due to increased ridership. However, it has not recovered to the Pre-Covid revenue amount. The current year farebox is \$1,516,000 and the 2019 (Pre-Covid) amount was \$1,698,000.

2. Summary of Significant Accounting Policies

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

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

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

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

b) Adoption of New Accounting Pronouncements - The Government Accounting Standards Board (GASB) issued the following statements that require adoption during the current year; (1) Statement No. 91, *Conduit Debt Obligations*. (2) Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. (3) Statement No. 96, *Subscription-Based Information Technology Arrangements*. (4) Statement No. 99. *Omnibus 2022*. and (5) Statement No. 100, *Accounting Change and Error Corrections*.

The Authority's adoption of the above standards did not have a material effect on the Authority's financial statements.

The GASB has issued Statement No. 101, *Compensated Absences*, which requires adoption subsequent to June 30, 2023 and may be applicable to the Authority. The Authority has not yet adopted this statement, and the implication on the Authority's fiscal practices and financial reports is being evaluated.

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

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

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

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2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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2. Summary of Significant Accounting Policies /continued

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

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

m) Pensions - For purposes of measuring the Authority's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Dukes County Contributory Retirement System (DCRS) and additions to/deductions from the DCRS's fiduciary net position have been determined on the same basis as they are reported by DCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

n) Deferred Outflows/Inflows of Resources - The Authority accounts for certain transactions that result in the consumption or acquisition in one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. In 2022 and 2021, the Authority reported deferred outflows and deferred inflows of resources related to its pension and OPEB plans. In 2022, the Authority also had deferred inflows of resources related to leases.

m) Right to use asset/lease liability - The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The lease liability is recorded at the present value of the future minimum lease payments using the Authority's incremental borrowing rate.

n) Lease receivable/deferred inflows of resources leases - The lease receivable is initially measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease that related to future periods. Interest income is recognized on the lease receivable and an inflow of resources (namely, lease income) is recognized from deferred inflows of resources, using the straight-line method over the lease term.

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3. Cash and Cash Equivalents

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

Custodial credit risk exists for cash deposits when, in the event of the failure of a depository financial institution, the Authority's deposits will not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are fully FDIC insured or collateralized with securities held by the pledging financial institution's trust department in the financial institution's name. At June 30, 2023, the Authority does not have any uninsured or uncollateralized bank deposits.

Cash and cash equivalents reported in the accompanying statement of net position as of June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Current assets - cash and cash equivalents	\$ 65,850	\$ 669,125
Noncurrents assets - restricted funds	<u>319,454</u>	<u>307,574</u>
Total	<u>\$ 385,304</u>	<u>\$ 976,699</u>

4. Grants

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

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5. Receivable for Operating and Capital Assistance

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

	<u>2023</u>	<u>2022</u>
Current		
Operating assistance		
United States Department of Transportation - Pass-through grants through the Commonwealth Operating grants	\$ 1,596,345	\$ 787,941
Local operating assistance to be billed to the Towns constituting the Authority and paid by the Commonwealth to the Authority	1,232,591	1,529,156
Other accounts receivable	<u>172,292</u>	<u>169,107</u>
Total operating assistance	3,001,228	2,486,204
Less noncurrent portion	(558,904)	(544,915)
Total current operating assistance	<u>\$ 2,442,324</u>	<u>\$ 1,941,289</u>
Noncurrent		
Capital assistance		
Commonwealth of Massachusetts	\$ 5,020,134	\$ 1,590,117
United States Department of Transportation	123,657	65,473
Total capital assistance	<u>\$ 5,143,791</u>	<u>\$ 1,655,590</u>

6. Inventory

The inventory is comprised of motor vehicle parts and fuel and is stated at the lower of cost or market on a first-in, first-out basis.

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Notes to Financial Statements
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7. Capital Assets and Depreciation

The 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	\$ -	\$ 400,000	\$ -	\$ 400,000
Common carrier rights	1,620,000			1,620,000
Construction in Progress	448,625	590,412		1,039,037
Subtotal	<u>2,068,625</u>	<u>990,412</u>		<u>3,059,037</u>
Depreciable capital assets				
Building and structures	6,964,389	1,069,946		8,034,335
Vehicles	25,837,587	5,592,540	22,833	31,407,294
Equipment	700,779	73,790		774,569
Intangible assets	308,122	204,495		512,617
Subtotal	<u>33,810,877</u>	<u>6,940,771</u>	<u>22,833</u>	<u>40,728,815</u>
Accumulated depreciation	12,728,233	3,240,829	22,833	15,946,229
Net depreciable assets	21,082,644	3,699,942		24,782,586
Net capital assets	<u>\$ 23,151,269</u>	<u>\$ 4,690,354</u>	<u>\$ -</u>	<u>\$ 27,841,623</u>

The capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Common carrier rights	\$ 1,620,000	\$ -	\$ -	\$ 1,620,000
Construction in Progress		448,625		448,625
Subtotal	<u>1,620,000</u>	<u>448,625</u>		<u>2,068,625</u>
Depreciable capital assets				
Building and structures	6,949,220	106,559	91,390	6,964,389
Vehicles	23,629,227	2,687,540	479,180	25,837,587
Equipment	908,502	6,823	214,546	700,779
Intangible assets	255,559	52,563		308,122
Subtotal	<u>31,742,508</u>	<u>2,853,485</u>	<u>785,116</u>	<u>33,810,877</u>
Accumulated depreciation	10,629,575	2,804,202	705,544	12,728,233
Net depreciable assets	21,112,933	49,283	79,572	21,082,644
Net capital assets	<u>\$ 22,732,933</u>	<u>\$ 497,908</u>	<u>\$ 79,572</u>	<u>\$ 23,151,269</u>

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7. Capital Assets and Depreciation (continued)

Depreciation expense for 2023 and 2022 was \$3,240,829 and \$2,804,202, respectively.

8. Revenue Anticipation Notes

During the year ended June 30, 2023 and 2022, the following changes occurred in the Authority's revenue anticipation notes (RANs):

	<u>2023</u>	<u>2022</u>
Beginning balance	\$2,000,000	\$ 2,013,247
New notes issued	2,773,568	2,000,000
Notes retired	<u>(2,005,892)</u>	<u>(2,013,247)</u>
Ending balance	<u>\$2,767,676</u>	<u>\$ 2,000,000</u>

The RAN outstanding at June 30, 2023, has a net interest rate of 3.64% and is due in April, 2024.

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

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

9. Restricted Net Position

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

	<u>2023</u>	<u>2022</u>
Expendable		
Restricted by enabling legislation		
Stabilization Fund	\$ 117,685	\$ 117,685
Reserve for extraordinary expense	201,769	189,889
Capital asset acquisitions	<u>1,844,342</u>	<u>479,247</u>
	<u>\$ 2,163,796</u>	<u>\$ 786,821</u>

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10. Leases

Lease receivable

In March, 2020, the Authority entered into a lease with the Registry of Motor Vehicles (RMV). Under the lease, the RMV pays the Authority, starting July, 1, 2022, \$2,672 per month in exchange for office space in the Authority's administration building. Per the lease agreement, the rent increases by 2% each year. The receivable is measured at the present value of the future minimum lease payments expected to be received during the lease's term. The discount rate used was 3.66%, representing the Authority's incremental borrowing rate.

The lease receivable at June 30, 2023 and 2022 was as follows:

	2023	2022
Total lease receivable	\$ 96,498	\$ 125,100
Less: current portion	<u>(30,332)</u>	<u>(31,085)</u>
Long-term portion	<u>\$ 66,166</u>	<u>\$ 94,015</u>

In fiscal year 2023, the Authority recognized lease revenue of \$30,502 and interest income of \$4,102 related to this lease. The balance in the deferred inflows of resources-leases account as of June 30, 2023 was \$91,507.

The future minimum lease income as of June 30, 2023, is as follows:

Year	Principal Receiv2ts	Interest Income	Total
2024	\$ 30,332	\$ 3,026	\$ 33,358
2025	32,139	1,886	34,025
2026	<u>34,027</u>	<u>679</u>	<u>34,706</u>
	<u>96,498</u>	<u>5,591</u>	<u>102,089</u>

The Authority's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the terms of the lease agreement, the Authority receives a 2% increase in rent each year.

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10. Leases (continued)

Right to use asset

The Authority recorded one right to use asset related to a lease of land from the Martha's Vineyard Airport Commission. The lease agreement qualifies as other than a short-term lease under GASB No. 87. Therefore, it has been recorded at the present value of the future minimum lease payments as of July 1, 2021. This asset is being amortized on a straight-line basis over the term of the lease.

Right to use asset activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Right to use asset				
Land	\$ 304,989	\$	\$	\$ 304,989
Less: Accumulated amortization				
Land	(60,998)		60,997	(121,995)
Total	<u>\$ 243,991</u>	<u>\$</u>	<u>\$ 60,997</u>	<u>\$ 182,994</u>

Lease Liability

As indicated above, the liability has been recorded at the present value of the future minimum lease payments as of July 1, 2021. The agreement was executed on July 1, 2021 to lease land and requires 48 monthly payments of \$6,819. There is a CPI rent adjustment every 5 years. The lease liability is measured at a rate of 3.66% which was the estimated incremental borrowing rate of the Authority. As a result of this lease, the Authority has recorded a lease liability.

Lease liability activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Lease liability	\$ 232,161	\$	\$ 74,577	\$ 157,584
Less: current maturities				<u>(77,352)</u>
Long-term liability				<u>\$ 80,232</u>

Interest expense related to this lease liability was \$15,850 and \$9,003 for 2023 and 2022, respectively.

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10. Leases (continued)

Lease Liability (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2024	\$ 77,352	\$ 4,479	\$ 81,831
2025	80,232	1,599	81,831
	157,584	6,078	163,662

11. Employees' Retirement Benefits

Pension Plan

General Information about the Pension Plan

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

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

Contributions - Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan 5% and 11% of their covered compensation, depending on plan entry date. The Authority's statutorily required contribution rate for the year ended June 30, 2023, was 8.69% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$51,904 for the year ended June 30, 2023.

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

As of June 30, 2023, the Authority reported a liability of \$456,041 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Update procedures were used to roll forward the total pension liability to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Authority's proportion of net pension liability was .836 percent.

For the year ended June 30, 2023, the Authority recognized pension expense of \$88,463 and reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 24,037	\$ 17,294
Net difference between projected and actual investment earnings on pension plan investments	168,001	
Changes in assumptions	67,505	
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>6,344</u>	<u>32,756</u>
Total deferred outflows and inflows of resources	<u>\$ 265,887</u>	<u>\$ 50,050</u>

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

<u>Year</u>	
2024	23,878
2025	49,384
2026	58,751
2027	84,618
2028	(794)

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11. Employees' Retirement Benefits/(continued)

Pension Plan (continued)

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

Actuarial Assumptions - The total pension liability in the January 1, 2020 actuarial valuation and the related update to December 31, 2022 (measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Inflation rate	2.4%
Salary increases	6% to 4.25% based on service
Investment rate of return	7.0%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. 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-2020

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

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

Asset Class	<u>Target</u> Allocation	Long-term <u>Expected Real</u> <u>Rate of Return</u>
Domestic Equity	30.00%	4.50%
International equity	5.00%	5.73%
PRITCORE	50.00%	5.10%
Real estate	5.00%	3.10%
Fixed income	10.00%	2.10%
Total	100.00%	

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

Discount rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's proportionate share of the net pension liability	\$710,795	\$456,041	\$240,755

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

Post Employment Healthcare Benefits

Plan Description

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

Plan Membership - At June 30, 2022, plan membership consisted of 7 active employees and 1 retiree.

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

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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Contributions- Contributions to the Trust are voluntary and determined by the Authority. Presently, the Authority is funding the Actuarially Determined Employer Contribution requirement. For the year ended June 30, 2023, there were not any contributions to the Plan. While the OPEB program is in a surplus position, no employer contributions are expected to be made.

Net OPEB Asset

The components of the net OPEB asset at June 30, 2023, were as follows:

Total OPEB liability•	\$ 623,549
Fiduciary net position	(865,973)
Net OPEB asset	<u>\$ (242,424)</u>

Fiduciary net position as a percentage of the total OPEB liability 138.88%

Actuarial Assumptions- The total OPEB asset was determined by an actuarial valuation as of July 1, 2020 and was rolled forward to the June 30, 2022 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Amortization method	Increasing at 3.5% over 30 years on an open amortization period
Asset valuation method	Market value
Inflation	2.4% per year
Healthcare cost trend rates	7% initial, decreasing .4 percent per year to 5.4%, then downgrading to an ultimate rate of 4%
Discount rate	6.6%, net of investment expense, including inflation
Pre-Retirement Mortality	Based on RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2018
Healthy Retiree Mortality	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2018
Disabled Retiree Mortality	RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using scale MP-2018

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Notes to Financial Statements
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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Net OPEB Asset (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	<u>Target</u> Allocation	<u>Long-term</u> <u>Expected Real</u> <u>Rate of Return</u>
Large Cap Equity	35.00%	5.08%
Mid Cap Equity	10.00%	5.06%
Small Cap Equity	10.00%	4.89%
International Equity	15.00%	6.09%
Real Estate	10.00%	2.65%
Fixed Income	20.00%	1.36%
Total	100.00%	

Discount rate - The discount rate used to measure the total OPEB liability was 6.6 percent. The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2023 and 2022

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Changes in the Net OPES Liability/Asset

	Increase (Decrease)		
	Total OPES	Plan	Net OPES
	Liability	Fiduciary Net	Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2022	\$ 604,299	\$ 817,578	\$ (213,279)
Adjustment to valuation	(44,665)	178,808	(223,473)
Balance per new valuation	559,634	996,386	(436,752)
Charges for the year:			
Service cost	32,660		32,660
Interest	38,952		38,952
Net investment income		(126,178)	126,178
Changes in assumptions	(3,462)		(3,462)
Administration payments	(4,235)	(4,235)	
Net changes	63,915	(130,413)	194,328
Balance at 6/30/2023	<u>\$ 623,549</u>	<u>\$ 865,973</u>	<u>\$ (242,424)</u>

The actuarial valuation related to fiscal year 2022 was received subsequent to the issuance of the June 30, 2021 financial statements. The new valuation balance showed a net increase in the net OPES asset of \$223,473. This was caused primarily by under estimating the earnings on OPES Plan investments in prior years. Since this is a change in an accounting estimate, the Authority recorded the adjustment in the current year.

Sensitivity of the net OPEB asset to changes in the discount rate - The following presents the net OPES asset of the Authority calculated using the current discount rate of 6.60%, as well as what the net OPES would be if it were calculated using a discount rate 1-percentage-point lower (5.6%) or 1-percentage-point higher (7.6%) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net OPES Asset	\$ 116,357	\$ 242,424	\$ 341,411

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

Notes to Financial Statements
June 30, 2023 and 2022

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates - The following presents the net OPES asset calculated using the current healthcare cost trend rates as well as what the net OPES asset would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (3%) or 1-percentage-point higher (5%) than the current healthcare cost trend rates for measurement period ended June 30, 2022:

	Discount		
	1% Decrease	Rates	1% Increase
Net OPES Asset	\$ (363,049)	\$ (242,424)	\$ (82,632)

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

For the year ended June 30, 2023, the Authority recognized OPES expense of \$25,946. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPES from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ 74,011
Difference between projected and actual earnings	146,749	
Changes in assumptions	19,149	19,149
Total deferred outflows and inflows of resources	\$ 165,898	\$ 93,160

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

Year		Amount
2024	\$	11,364
2025		6,861
2026		42,387
2027		4,009
2028		4,009
Thereafter		4,108
	\$	72,738

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2023 and 2022

12. Commitments and Contingencies

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

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

- d) Purchase commitments - As of June 30, 2023, the Authority has purchase commitments in the amount of \$6,611,000 related to the acquisition of electric buses.

13. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. The Authority increased the reserve in 2023 and 2022 by \$11,880 and \$29,527, respectively. The aggregate reserve was \$201,769 and \$189,889 in 2023 and 2022, respectively. This represents 20.00% and 19.29% of the applicable local assessments for 2023 and 2022, respectively.

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2023 and 2022

14. Subsequent Events

The Authority evaluated subsequent events through December 27, 2023 when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

15. Compensation Disclosures (unaudited)

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

The Administrator's (CEO) base salary for fiscal year 2023 was \$145,200. In addition, the CEO is in a (1) health insurance plan contributing 25% of the premium, and (2) a pension plan contributing 11% of regular salary.

The Deputy Administrator's (DA) base salary for fiscal year 2023 was \$121,930. In addition, the DA is in a (1) health insurance plan contributing 25% of the premium, and (2) a pension plan contributing 11% of regular salary.

Advisory Board members and officers do not receive compensation.

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

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability (Unaudited)
June 30,

	<u>2023</u>	<u>2022</u>	<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	0.825%	0.836%	0.836%	0.844%	0.844%	0.684%	0.684%	0.681%	0.681%
Authority's proportionate share of the net pension liability	\$ 456,041	\$ 77,080	\$ 199,587	\$ 422,790	\$ 421,760	\$ 226,827	\$ 314,025	\$ 267,629	\$ 245,465
Authority's covered-employee payroll	\$ 597,036	\$ 518,162	\$ 565,507	\$ 616,092	\$ 508,495	\$ 675,421	\$ 574,843	\$ 539,866	\$ 519,102
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	76.38%	14.88%	35.29%	68.62%	82.94%	33.58%	54.63%	49.57%	47.29%
Plan fiduciary net position as a percentage of the total pension liability	79.20%	96.40%	89.76%	75.54%	75.54%	82.43%	74.21%	75.61%	76.17%

Notes to Required Supplementary Information

Schedule Presentation

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

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

Required Supplementary Information
Schedule of Pension Contributions (Unaudited)
June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 51,904	\$ 46,437	\$ 60,431	\$ 56,956	\$ 38,768	\$ 36,922	\$ 52,378	\$ 67,486	\$ 81,018
Contributions in relation to the statutorily required contribution	(51,904)	(46,437)	(60,431)	(56,956)	(38,768)	(36,922)	(52,378)	(67,486)	(61,018)
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Covered-employee payroll	\$ 597,036	\$ 518,162	\$ 565,507	\$ 616,092	\$ 508,495	\$ 675,421	\$ 574,843	\$ 539,866	\$ 519,102
Contributions as a percentage of its covered-employee payroll	8.69%	8.96%	10.69%	9.24%	7.62%	5.47%	9.11%	12.50%	15.61%

Notes to Required Supplementary Information

Schedule Presentation

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Required Supplementary Information
Schedule of Investment Returns - Pension (Unaudited)
June 30,

	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023	-14.36%
June 30, 2022	18.66%
June 30, 2021	12.47%
June 30, 2020	20.99%
June 30, 2019	-1.21%
June 30, 2018	17.29%
June 30, 2017	7.30%
June 30, 2016	4.95%
June 30, 2015	8.13%

Notes to Required Supplementary Information

Schedule Presentation

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

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

Required Supplementary Information
Schedule of Changes in the Net OPEB Asset and Related Ratios (Unaudited)
For the Measurement Periods Ended June 30,

Measurement Period	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Asset							
Service cost	\$ 32,660	\$ 27,000	\$ 24,536	\$ 22,178	\$ 27,884	\$ 26,817	\$ 25,786
Interest on the total OPEB liability	38,952	40,768	36,699	34,152	30,313	26,394	22,748
Differences between expected and actual experience		(12,014)			(70,807)		
Changes in assumptions	{(3,462)}	16,359		45,259	72,728		
Differences between projected and actual earnings		(23,213)				(88)	
Changes in benefit terms				(28,689)			
Benefit payments	(4,235)	(4,235)	(4,424)	(3,832)	(2,613)	(1,271)	(635)
Adjust to new actuarial valuation	44,665	1,342)					
Net change in OPEB liability	19,250	43,323	56,811	69,068	57,505	51,852	47,899
Total OPEB liability- beginning	604,299	560,976	504,165	435,097	377,592	325,740	277,841
Total OPEB liability- ending	623,549	604,299	560,976	504,165	435,097	377,592	325,740
Plan Fiduciary Net Position							
Adjust to new actuarial valuation	\$ {126,178}	\$ 178,586					
Contribution - employer						40,375	294,917
Net investment income		65,622	53,646	32,908	33,518	29,978	18,619
Administration payments	(4,235)	(4,235)	(4,424)	(3,832)	(2,613)	(1,271)	(635)
Adjust to new actuarial valuation	(61,165)						
Net change in plan fiduciary net position	(191,578)	239,973	49,222	29,076	30,905	69,082	312,901
Plan fiduciary net position - beginning	1,057,551	817,578	768,578	739,502	708,597	639,515	326,614
Plan fiduciary net position - ending	865,973	1,057,551	817,800	768,578	739,502	708,597	639,515
Net OPEB Asset - ending	\$ (242,424)	\$ (453,252)	\$ (256,824)	\$ (264,413)	\$ (304,405)	\$ (331,005)	\$ (313,775)
Plan fiduciary net position as a percentage of the total OPEB liability	138.88%	175.00%	145.78%	152.45%	169.96%	187.66%	196.33%
Covered-employee payroll	\$ 563,319	\$ 563,319	\$ 695,576	\$ 609,148	\$ 597,210	\$ 566,116	\$ 530,858
Net OPEB asset as a percentage of covered-employee payroll	-43.03%	-80.46%	-36.92%	-43.41%	-50.97%	-58.47%	-59.11%

Notes to Required Supplementary Information

Schedule Presentation

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

Significant assumptions and methods

For assumptions and methods used, see Note 11.

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

Required Supplementary Information
Schedule of OPEB Contributions (Unaudited)
June 30,

Actuarially determined contribution	\$ 11,941	\$ 11,768	\$ 11,595	\$ 5,920	\$ 10,489	\$ 11,387	\$ 25,163
Contributions in relation to the actuarially determined contribution						40,375	294,917
Contribution deficiency (excess)	<u>\$ 11,941</u>	<u>\$ 11,768</u>	<u>\$ 11,595</u>	<u>\$ 5,920</u>	<u>\$ 10,489</u>	<u>\$ (28,988)</u>	<u>\$ (269,754)</u>
Covered-employee payroll	\$ 563,319	\$ 563,319	\$ 695,576	\$ 609,148	\$ 597,210	\$ 566,116	\$ 530,858
Contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	7.13%	55.55%

Notes to Required Supplementary Information

Schedule Presentation

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

Significant assumptions and methods

For assumptions and methods used see Note 11.

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

Required Supplementary Information
Schedule of Investment Returns-OPES (Unaudited)
June 30,

Annual money-weighted rate of return, net of investment expenses	-12.76%	-12.76%	30.14%	4.39%	4.79%	4.44%	4.40%
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Notes to Required Supplementary Information

Schedule Presentation

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

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

Schedule 1

STATEMENT OF COSTS (Unaudited)
JUNE 30, 2023

	<u>Rural Area Service</u>
Operating Costs	
Administrative costs (excluding depreciation)	\$ 357,608
Purchased services	
Fixed route	7,049,580
Demand response	545,436
Brokerage services	91,592
Debt Service	<u>66,112</u>
Total Operating Costs	8,110,328
Federal Operating Assistance	
FTA operating and administrative	3,713,201
Revenues	
Operating	
Farebox Revenue	1,515,567
Brokerage services	91,592
Other third party reimbursement	120,765
other income	
Interest income	7,084
Rental income	38,873
Other income	<u>31,553</u>
Total Other Revenues	77,510
Net Operating Deficit	2,591,693
Adjustments	
Local funding used to fund capital acquisitions	375,191
Other adjustments	(21,516)
Reserve for extraordinary expense	<u>11,880</u>
Net Cost of Service	2,957,248
Net Cost of Service Funding	
Local assessments	1,034,068
State contract assistance	<u>1,923,180</u>
	<u>2,957,248</u>

Schedule of Local (Towns) Funding (Unaudited)

June 30, 2023

<u>Community</u>	<u>Share</u>
Aquinnah	\$ 44,405
Chilmark	160,300
Edgartown	274,129
Oak Bluffs	152,911
Tisbury	259,086
West Tisbury	143,237
	<u>\$ 1,034,068</u>