

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

Basic Financial Statements, Supplementary Data  
For the Year Ended June 30, 2023

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

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CAPE COD REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2023

The Reporting Entity

The Cape Cod 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 October 13, 1976, 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.

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 OPEB 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 grant 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.

**CAPE COD REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2023**

**Condensed Financial Information**

Statement of Net Position  
(000 omitted)

	2023	2022	2021
Current assets	\$ 9,290	\$ 6,112	\$ 7,500
Capital assets, net	27,156	29,284	27,922
Restricted and noncurrent assets	3,181	6,489	2,348
Total assets	39,627	41,885	37,770
Deferred outflows of resources	811	941	590
Total assets and deferred outflows of resources	40,438	42,826	38,360
Restricted and noncurrent liabilities	4,618	13,788	11,986
Current liabilities	3,534	3,144	2,279
Total liabilities	8,152	16,932	14,265
Deferred inflows of resources	988	875	377
Total liabilities and deferred inflows of resources	9,140	17,807	14,642
Net position			
Invested in capital assets	27,156	29,284	27,922
Restricted	998	1,845	457
Unrestricted	3,144	(6,110)	(4,661)
Total net position	\$ 31,298	\$ 25,019	\$ 23,718

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

	2023	2022	2021
Operating revenues	\$ 1,139	\$ 1,456	\$ 9,083
Operating expenses			
Cost of transportation service, maintenance and administration	18,659	17,274	23,146
Depreciation	4,500	4,379	4,291
	23,159	21,653	27,437
Operating loss	(22,020)	(20,197)	(18,354)
Nonoperating revenues and (expenses)			
Operating assistance	26,099	15,771	14,116
Other	(588)	(56)	(144)
	25,511	15,715	13,972
Income (loss) before capital contribution	3,491	(4,482)	(4,382)
Capital contributions	2,788	5,783	3,103
Income (loss) before subrecipient activity	6,279	1,301	(1,279)
Subrecipient pass-thru revenue and expenses			
Federal operating assistance	5,463	2,505	2,939
Operating expenses	(5,463)	(2,505)	(2,939)
Change in net position	6,279	1,301	(1,279)
Net position			
Beginning of year	25,019	23,718	24,997
End of year	\$ 31,298	\$ 25,019	\$ 23,718

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FINANCIAL ANALYSIS

The Commonwealth terminated the Authority's brokerage services contract (Human Service Transportation contract), effective July 1, 2021. In fiscal year 2021, this contract produced approximately \$8,100,000 in transportation services revenue and a like amount in transportation services expense. Obviously, this did not reoccur in fiscal year 2022.

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current year's operations, but not as severely as in 2020 through 2022. In fact, 2023 farebox revenue increased by \$103,000 over 2022, primarily due to increased ridership. However, the Authority has not recovered to the Pre-Covid revenue amount. The current year farebox is \$828,000 and the 2019 amount (Pre-Covid year) was \$1,386,000.

Subrecipient Pass-thru Expenses and Funding

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (SSA) is a subrecipient of the Authority. Pursuant to Federal regulations the Authority must perform all requirements imposed by the pass-through entity on the subrecipient so that the Federal award is in compliance with all Federal statutes, regulations and the terms and conditions of the Federal award. Therefore, the Authority must oversee the SSA in a very comprehensive manner.

During the current year, the Authority recorded operating and maintenance expenses of \$5,463,000, that were expended by the SSA. The Authority reimburses these expenses and the expenses are fully funded through a Federal Transit Administration (FTA) grant (CRRSA Act grant). Under federal regulations, as the sole designated FTA funding recipient for the Barnstable – MA UZA, the Authority is responsible for reporting the Subrecipients' expenses. However, there is not any direct or indirect impact to the Authority's operating or capital budgets. This activity is shown separately in the accompanying statement of revenues, expenses and changes in net position.

Comparison of Financial Condition at June 30, 2023 and 2022

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2023 by \$31,298,000.

The Authority's net position increased by approximately \$6,279,000 during the current year. This was the result of having operating revenues of \$1,139,000, nonoperating revenues (primarily grants) of \$25,511,000 and capital contributions of \$2,788,000, less operating expenses of \$23,159,000.

The Authority's total assets decreased in 2023 versus 2022 by \$2,258,000 (5%).

Total current assets increased in 2023 versus 2022 by \$3,178,000 (52%). This was caused by increases in cash of \$2,869,000, other assets of \$340,000, and less decreases in receivables of \$31,000.

CAPE COD REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2023

FINANCIAL ANALYSIS (continued)

Comparison of Financial Condition at June 30, 2023 and 2022 (continued)

The restricted and noncurrent assets decreased in 2023 versus 2022 by \$3,308,000 (51%). This was caused by decreases in restricted cash of \$111,000 and the receivable for operating assistance of \$44,000, less increases in the receivable for capital assistance of \$3,463,000.

Deferred outflows of resources decreased in 2023 versus 2022 by \$130,000 (14%). This was caused by a decrease in deferred outflows related to OPEB of \$174,000 less an increase in deferred outflows related to OPEB of \$44,000.

Total net capital assets decreased in 2023 versus 2022 by \$2,128,000 (7%). This was caused by capital acquisitions of \$2,818,000, less depreciation of \$4,500,000 and net disposals of \$446,000. These acquisitions were funded by Federal and State capital grants.

Total current liabilities increased by \$390,000 (12%). This was caused primarily by an increase in accounts payable.

Total restricted and noncurrent liabilities decreased by approximately \$9,170,000 (67%). This was caused by decreases in capital accounts payable and unearned revenue of \$2,605,000, the net OPEB liability of \$553,000 and notes payable of \$6,400,000, less an increase in the pension liability of \$388,000.

Deferred inflows of resources increased by \$113,000 (13%). This was caused by increases in deferred inflows related to OPEB of \$401,000, less a decrease in deferred inflows related to pensions of \$288,000.

CAPE COD REGIONAL TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
JUNE 30, 2023

Revenues

Total operating revenue decreased in 2023 versus 2022 by \$317,000 (22%). This was primarily caused by decreases in transportation services and various other income.

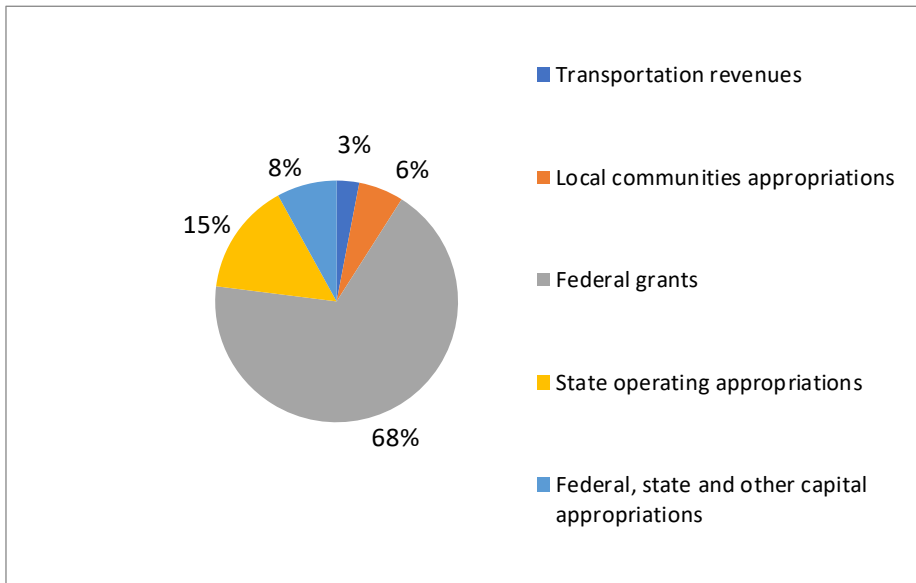
Nonoperating revenue increased in 2023 versus 2022 by \$10,328,000 (65%). This increase was caused primarily by an increase in federal funding related to the Covid-19 Pandemic.

Total capital contributions decreased in 2023 versus 2022 by \$2,995,000 (52%). This was caused primarily by using more state capital funding in 2023 rather than Federal funds.

The Authority received \$5,463,000 in federal operating assistance grants on behalf of the SSA, a subrecipient. This revenue was used to fund the subrecipient's operating and maintenance expenses. This activity is disclosed separately in the accompanying statement of revenues, expenses and changes in net position.

Net position increased in 2023 by \$6,279,000.

**Revenues by source:**



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Operating Expenses

Total operating expenses increased in 2023 versus 2022 by \$1,506,000 (7%).

The cost of transportation services increased in 2023 versus 2022 by \$1,451,000 (12%). This was caused by increases in fuel and insurance costs as well as increased driver overtime due to the shortage of drivers.

Maintenance expense decreased in 2023 versus 2022 by \$8,000 (.2%).

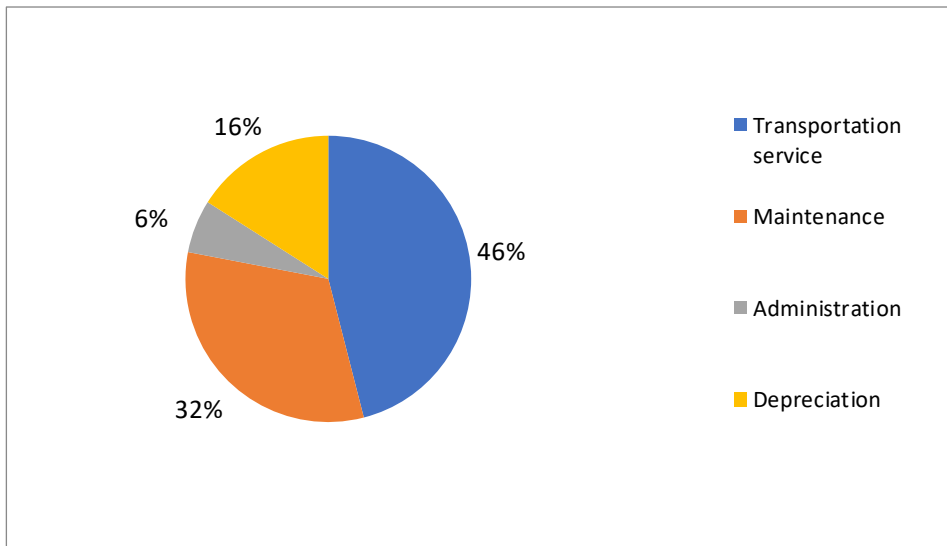
Administration expense decreased in 2023 versus 2022 by \$58,000 (3%). This was caused by decreases in insurance reimbursements and OPEB expense.

Depreciation expense increased in 2023 versus 2022 by \$121,000 (3%). This was due to depreciating 2022 capital asset acquisitions for a full year, plus depreciating 2023 acquisitions for one half year.

The Authority's operating loss increased in 2023 versus 2022 by \$1,823,000 (9%).

As noted previously, the Authority reimbursed the Subrecipient \$5,463,000 for their operating and maintenance expenses. This transaction is disclosed separately in the accompanying statement of revenues, expenses and changes in net position.

Expenses by source:





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JUNE 30, 2023

Comparison of Financial Condition at June 30, 2022 and 2021

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2022 by \$25,019,000.

The Authority's net position increased by approximately \$1,301,000 during the current year. This was the result of having operating revenues of \$1,456,000, nonoperating revenues (primarily grants) of \$15,715,000 and capital contributions of \$5,783,000, less operating expenses of \$21,653,000.

The Authority's total assets increased in 2022 versus 2021 by \$4,115,000 (10.9%).

Total current assets decreased in 2022 versus 2021 by \$1,388,000 (18.5%). This was caused by decreases in cash of \$360,000, receivables of \$1,002,000 and other assets of \$26,000.

The restricted and noncurrent assets increased in 2022 versus 2021 by \$4,141,000 (176.4%). This was caused by increases in the receivable for capital assistance of \$3,885,000, restricted cash of \$31,000 and the receivable for operating assistance of \$225,000.

Deferred outflows of resources increased in 2022 versus 2021 by \$351,000 (59.5%). This was caused by an increase in deferred outflows related to OPEB of \$409,000 less a decrease in deferred outflows related to OPEB of \$58,000.

Total net capital assets increased in 2022 versus 2021 by \$1,362,000 (4.9%). This was caused by capital acquisitions of \$5,792,000, less depreciation of \$4,379,000 and net disposals of \$51,000. These acquisitions were funded by Federal and State capital grants.

Total current liabilities increased by \$865,000 (38.0%). This was caused primarily by an increase in accounts payable.

Total restricted and noncurrent liabilities increased by approximately \$1,802,000 (15.0%). This was caused by increases in capital accounts payable and unearned revenue of \$2,628,000 and the net OPEB liability of \$610,000, less decreases in notes payable of \$1,000,000 and the net pension liability of \$436,000.

Deferred inflows of resources increased by \$498,000 (132.1%). This was caused by increases in deferred inflows related to pensions of \$290,000 and OPEB of \$208,000.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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Revenues

Total operating revenue decreased in 2022 versus 2021 by \$7,627,000 (84.0%). This was primarily caused by the loss of the Human Service Transportation contract.

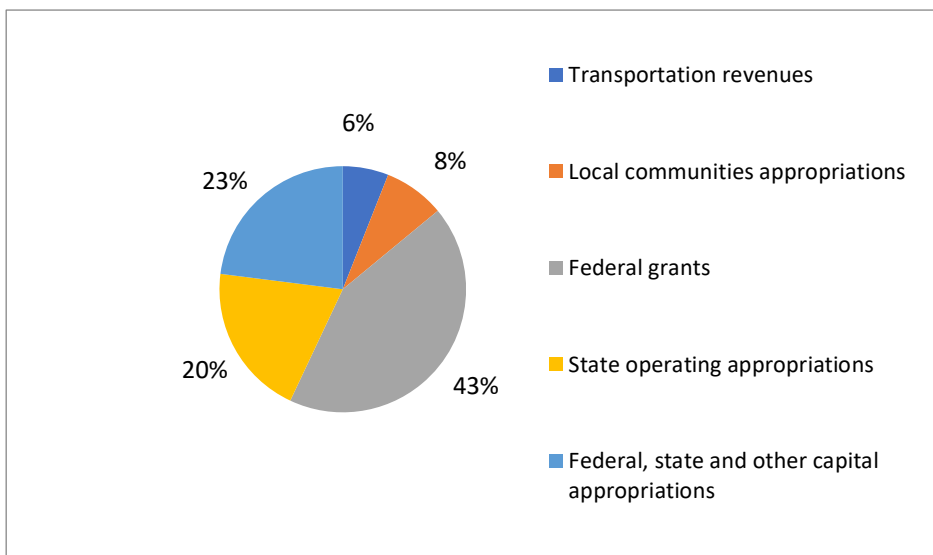
Nonoperating revenue increased in 2022 versus 2021 by \$1,655,000 (11.7%). This increase was caused by an increase in federal funding of \$1,680,000 and a decrease in state and local funding of \$25,000.

Total capital contributions increased in 2022 versus 2021 by \$2,680,000 (86.4%). This was caused by increases in capital purchases in 2022 vs. 2021 and thus related increases in funding.

The Authority received \$2,505,000 in federal operating assistance grants on behalf of the Contractors. This revenue was used to fund the Contractors' operating and maintenance expenses. This activity is disclosed separately in the accompanying statement of revenues, expenses and changes in net position.

Net position increased in 2022 by \$1,301,000.

**Revenues by source:**



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Operating Expenses

Total operating expenses decreased in 2022 versus 2021 by \$5,784,000 (21.1%).

The cost of transportation services decreased in 2022 versus 2021 by \$5,746,000 (32.7%). This was caused by the effect of the Coronavirus pandemic and the loss of the human services transportation contract.

Maintenance expense decreased in 2022 versus 2021 by \$554,000 (13.0%). This was caused primarily by the loss of the human services transportation contract and the effect of the Coronavirus pandemic.

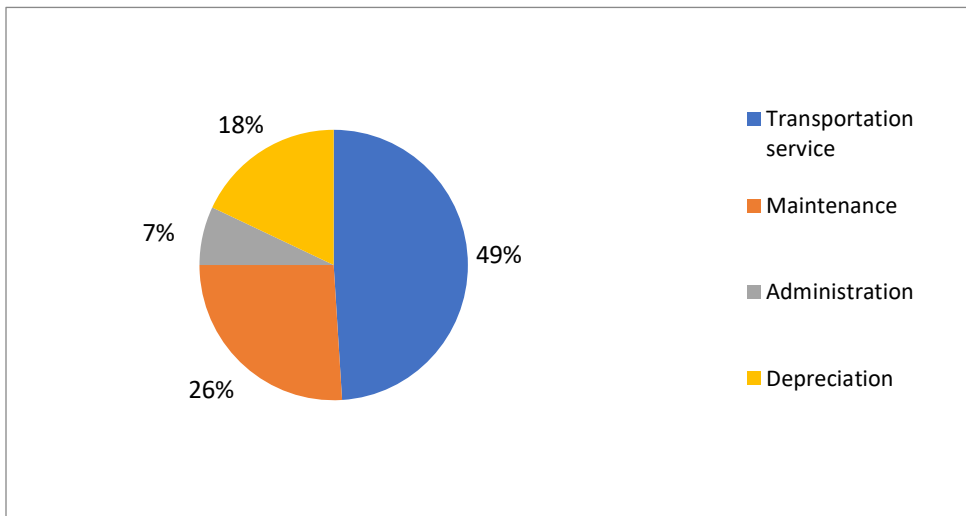
Administration expense increased in 2022 versus 2021 by \$428,000 (32.8%). This was caused primarily by the increase in the OPEB expense.

Depreciation expense increased in 2022 versus 2021 by \$88,000 (2.1%). This was due to depreciating 2021 capital asset acquisitions for a full year, plus depreciating 2022 acquisitions for one half year.

The Authority's operating loss increased in 2022 versus 2021 by \$1,843,000 (10.0%).

As noted previously, the Authority reimbursed the Contractors \$2,505,000 for their operating and maintenance expenses. This transaction is disclosed separately in the accompanying statement of revenues, expenses and changes in net position.

Expenses by source:



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Capital Assets

The Authority's capital assets as of June 30, 2023, amounted to \$27,156,000, 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 \$2,818,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants. During the current year, the most significant capital asset event was the acquisition of vehicles and related equipment of \$2,127,000.

More detailed information regarding the Authority's capital asset activities for 2023 can be found in the notes to the financial statements (Note 7).

Revenue Anticipation Note

The Authority's revenue anticipation notes decreased in 2023 versus 2022 by \$6,400,000. This effectively paid off the RAN prior to year-end. The payment was funded by State and local operating assistance.

Economic Factors

Demand for the Authority's services is mainly affected by the overall economic activity on Cape Cod, both seasonally and year-round. The economic activity is a reflection of the overall industry on the Cape 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 farebox and contract revenue for the past three years was:

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Farebox revenue	\$ 678,000	\$ 725,000	\$ 828,000
Contract revenue	8,100,000	237,000	13,000

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Thomas Cahir, Administrator, Cape Cod Regional Transit Authority, 215 Iyannough Road, P.O. Box 1988, Hyannis MA 02601.

# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT

The Advisory Board  
Cape Cod Regional Transit Authority  
Hyannis, Massachusetts

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Cape Cod Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2023 and 2022, 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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 Auditor's 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.

## ***Auditor's 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 auditor's 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 on pages i-x and required supplementary information on pages 22-26 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.

***Audited Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Supplementary Information***

Management is responsible for the other supplementary information on Schedules 1 and 2 included with the financial statements. Our opinions on the basic financial statements do not cover the other supplementary information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the basic financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

***Bruce D. Norling, CPA, P.C.***

Sudbury, Massachusetts  
December 18, 2023

CAPE COD 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>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,892,223	\$ 24,567
Receivables	5,136,393	5,166,689
Other current assets	1,261,050	920,737
Total current assets	<u>9,289,666</u>	<u>6,111,993</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	531,625	420,745
Receivables capital assistance	1,441,626	4,905,033
Total restricted assets	<u>1,973,251</u>	<u>5,325,778</u>
Receivables	1,207,488	1,162,810
Capital assets, net	27,156,124	29,284,148
Total restricted and noncurrent assets	<u>30,336,863</u>	<u>35,772,736</u>
Total assets	39,626,529	41,884,729
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to OPEB	450,356	624,226
Deferred outflows of resources related to pension	361,061	316,904
Total deferred outflows of resources	<u>811,417</u>	<u>941,130</u>
Total assets and deferred outflows of resources	<u>40,437,946</u>	<u>42,825,859</u>
LIABILITIES		
Current liabilities		
Accounts payable	3,327,823	2,751,207
Accrued expense	205,965	289,481
Notes payable		103,385
Total current liabilities	<u>3,533,788</u>	<u>3,144,073</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable	444,112	3,059,622
Unearned revenue	531,625	420,745
Total liabilities payable from restricted assets	<u>975,737</u>	<u>3,480,367</u>
Unearned revenue		100,361
Notes payable less current maturities		6,400,000
Net OPEB liability	1,577,310	2,130,160
Net pension liability	2,065,048	1,676,827
Total restricted and noncurrent liabilities	<u>4,618,095</u>	<u>13,787,715</u>
Total liabilities	<u>8,151,883</u>	<u>16,931,788</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to OPEB	651,221	250,709
Deferred inflows of resources related to pension	336,363	623,907
Total deferred inflows of resources	<u>987,584</u>	<u>874,616</u>
Total liabilities and deferred inflows of resources	<u>9,139,467</u>	<u>17,806,404</u>
NET POSITION		
Invested in capital assets	27,156,124	29,284,148
Restricted	997,514	1,845,411
Unrestricted	3,144,841	(6,110,104)
Total net position	<u>\$ 31,298,479</u>	<u>\$ 25,019,455</u>

See accompanying notes to financial statements



CAPE COD 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>	<u>2022</u>
Operating revenues		
Transportation services	\$ 840,832	\$ 961,319
Facility and parking income	267,049	241,997
Other income	30,859	253,109
	<u>1,138,740</u>	<u>1,456,425</u>
Operating expenses		
Transportation service	13,282,222	11,831,517
Maintenance	3,700,672	3,708,783
General and administration	1,675,806	1,734,255
	<u>18,658,700</u>	<u>17,274,555</u>
Depreciation expense	4,500,347	4,379,153
	<u>23,159,047</u>	<u>21,653,708</u>
Operating loss	(22,020,307)	(20,197,283)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	18,682,849	8,547,370
Commonwealth of Massachusetts	5,206,394	5,067,773
Local	2,210,229	2,156,320
Loss on sale of equipment	(446,074)	(46,401)
Interest expense	(142,478)	(9,855)
	<u>25,510,920</u>	<u>15,715,207</u>
Income (loss) before capital contributions	3,490,613	(4,482,076)
Capital contributions	<u>2,788,411</u>	<u>5,783,241</u>
	<u>2,788,411</u>	<u>5,783,241</u>
Income before subrecipient activity	6,279,024	1,301,165
Subrecipient pass-thru revenues and expense		
Federal operating assistance	5,463,140	2,505,184
Operating expenses	<u>(5,463,140)</u>	<u>(2,505,184)</u>
Change in net position	6,279,024	1,301,165
Total net position		
Beginning of year	25,019,455	23,718,290
End of year	<u>\$ 31,298,479</u>	<u>\$ 25,019,455</u>

CAPE COD REGIONAL TRANSIT AUTHORITY  
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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	\$ 1,162,054	\$ 2,255,185
Payments to vendors and suppliers	(22,415,637)	(17,023,333)
Payments to employees	(1,116,025)	(1,151,101)
Payments of fringe	<u>(300,470)</u>	<u>(295,610)</u>
Net cash used in operations	<u>(22,670,078)</u>	<u>(16,214,859)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	6,457,600	6,546,703
Repayment of revenue anticipation notes	(12,900,000)	(7,500,000)
Operating assistance grants	31,535,435	18,332,809
Interest expense	<u>(285,037)</u>	<u>(112,188)</u>
Net cash provided by noncapital financing activities	<u>24,807,998</u>	<u>17,267,324</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(4,137,395)	(2,829,166)
Capital contributions		
United States Department of Transportation	3,380,565	757,708
Commonwealth of Massachusetts	1,574,742	673,887
Proceeds from sale of equipment	<u></u>	<u>4,552</u>
Net cash provided by/ used in capital and related financing activities	<u>817,912</u>	<u>(1,393,019)</u>
Cash flows from investing activities		
Interest income	<u>22,704</u>	<u>11,316</u>
Net cash provided by investing activities	<u>22,704</u>	<u>11,316</u>
Net decrease in cash and cash equivalents	2,978,536	(329,238)
Cash and cash equivalents at beginning of year	<u>445,312</u>	<u>774,550</u>
Cash and cash equivalents at end of year	<u>\$ 3,423,848</u>	<u>\$ 445,312</u>
Reconciliation of operating loss to net cash used in operations		
Operating loss	\$ (22,020,307)	\$ (20,197,283)
Subrecipient operating loss	(5,463,140)	(2,505,184)
Total operating loss	<u>(27,483,447)</u>	<u>(22,702,467)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4,500,347	4,379,153
Postemployment healthcare expense	134,050	408,635
Pension	56,520	(88,683)
Loss on sale of assets		46,401
Other various adjustments	(115,599)	54,161
Changes in assets and liabilities:		
Receivables, net	23,314	752,359
Other assets	(340,313)	25,951
Accounts payable and accrued expense	<u>555,050</u>	<u>909,631</u>
Net cash used in operations	<u>\$ (22,670,078)</u>	<u>\$ (16,214,859)</u>
Supplemental disclosures of noncash transactions		
Increase (decrease) in accounts payable related to capital expenditures	\$ (2,615,510)	\$ 2,496,578

CAPE COD REGIONAL TRANSIT AUTHORITY  
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Notes to Financial Statements  
June 30, 2023 and 2022

1. The Authority and Operators

The Cape Cod 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 October 13, 1976, 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 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 the Federal government, the Commonwealth, and the member communities. In addition, the Authority receives federal and state capital grants that are used to finance acquisitions and improvements to facilities and equipment.

The operation and maintenance of the Authority is performed by private sector transportation companies (the Operators) under the terms and agreements whereby the carriers provide mass transit along such routes and according to such schedules as may be defined by the Authority. In return, the Authority has agreed to reimburse the Operator for all costs and expenses which are reasonable and necessary for the efficient operation of the system.

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current year's operations, but not as severely as in 2020 through 2022. In fact, 2023 farebox revenue increased by \$103,000 over 2022, primarily due to increased ridership. However, the Authority has not recovered to the Pre-Covid revenue amount. The current year farebox is \$828,000 and the 2019 amount was \$1,386,000.

Subrecipient Pass-thru Expenses and Funding

The Woods Hole, Martha's Vineyard and Nantucket Steamship Authority (SSA) is a subrecipient of the Authority. Pursuant to Federal regulations the Authority must perform all requirements imposed by the pass-through entity on the subrecipient so that the Federal award is in compliance with all Federal statutes, regulations and the terms and conditions of the Federal award. Therefore, the Authority must oversee the SSA in a formal manner.

In 2023, the Authority recorded operating and maintenance expenses of \$5,463,140, that were expended by the SSA. The Authority reimburses the SSA for these expenses and funds the expenses through additional Federal Transit Administration (FTA) funding, via a CRRSA Act grant. CRRSAA funding allows the SSA to sustain and maintain lifeline services during the Covid-19 pandemic. Pursuant to federal regulations, as the sole designated FTA funding recipient for the Barnstable – MA UZA, the Authority is responsible for reporting these expenses. However, there is not any direct or indirect impact to the Authority's operating or capital budgets. This activity is shown separately in the accompanying statement of revenues, expenses and changes in net position.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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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.

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

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

b) Adoption of New Accounting Pronouncements – The GASB issued the following GASB Statements that required adoption during the current year: Statement No. 91, Conduit Debt Obligations, Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, Statement No. 96 Subscription Based Information Technology Arrangements, Statement No. 99, Omnibus 2022, and Statement No. 100, Accounting Change and Error Corrections – an Amendment of GASB Statement No. 62.

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 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, an OPEB restricted cash account and the reserve for extraordinary expenses. Restricted liabilities are amounts payable from the restricted assets.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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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	7 – 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, grantors, contributors, and the like, or imposed by law through enabling legislation. (3) Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

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

i) Available Unrestricted Resources – The Authority’s policy is to utilize available unrestricted resources prior to restricted resources.

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

k) Deferred Outflows/Inflows of Resources

In order to distinguish them from assets and liabilities, the Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and inflows of resources, respectively. For fiscal 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to its pension and OPEB plans.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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2. Summary of Significant Accounting Policies (continued)

l) Postemployment Benefits – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Barnstable County Postemployment Welfare Benefit Plan (the Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

m) Unearned revenue – Unearned revenue arises when assets are recorded before eligibility requirements have been met.

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

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 has a formal policy with regard to custodial credit risk. The policy is to invest its funds in deposits that are fully FDIC insured or collateralized by irrevocable letters of credit established in favor of the Authority. 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	\$ 2,892,223	\$ 24,567
Noncurrents assets - restricted funds	531,625	420,745
Total	<u>\$ 3,423,848</u>	<u>\$ 445,312</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 21<sup>st</sup> Century (MAP-21) Act, of 2012, the Fixing America’s Surface Transportation Act (FAST), of 2015, the Coronavirus Aid Relief and Economic Security Act (CARES Act), the Coronavirus Response and Relief Supplemental Appropriation Act of 2021 (CRRSAA) and the American Rescue Plan Act (ARPA). Further, MassDOT and the member communities provide the local share of both operating and capital funding.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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5. Receivables

The receivable for operating and capital assistance balance is disaggregated as follows:

	2023	2022
United States Department of Transportation -		
Direct Federal Grants		
CRRSA Act grant	\$ -	\$ 3,199,829
ARPA Act grant	3,128,170	
	<u>3,128,170</u>	<u>3,199,829</u>
Commonwealth of Massachusetts		
Operating grants		
Local operating assistance to be billed by the Commonwealth to the Towns constituting the Authority and paid by the Commonwealth to the Authority	3,200,581	3,091,226
Other	15,130	38,444
Total Receivables	<u>6,343,881</u>	<u>6,329,499</u>
Less noncurrent receivables	<u>(1,207,488)</u>	<u>(1,162,810)</u>
Current receivables	<u>\$ 5,136,393</u>	<u>\$ 5,166,689</u>
Capital assistance		
Commonwealth of Massachusetts	\$ 581,526	\$ 1,574,742
Federal grants	<u>860,100</u>	<u>3,330,291</u>
Total Receivables capital grants	<u>\$ 1,441,626</u>	<u>\$ 4,905,033</u>

6. Other Current Assets

The other current asset balance includes inventory of motor vehicle parts and fuel for 2023 and 2022 of approximately \$289,000 and \$246,000, respectively. This inventory is stated at the lower of cost or market.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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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	\$ 2,294,775	\$ -	\$ -	\$ 2,294,775
Construction in progress	181,620	-	29,987	151,633
Subtotal	<u>2,476,395</u>	<u>-</u>	<u>29,987</u>	<u>2,446,408</u>
Depreciable capital assets				
Buildings and structures	22,966,457	201,896	-	23,168,353
Vehicles	38,719,325	2,127,126	4,726,392	36,120,059
Equipment	3,384,005	235,334	100,980	3,518,359
Intangible assets	1,610,151	254,040	450,464	1,413,727
Subtotal	<u>66,679,938</u>	<u>2,818,396</u>	<u>5,277,836</u>	<u>64,220,498</u>
Accumulated depreciation	<u>39,872,185</u>	<u>4,500,347</u>	<u>4,861,750</u>	<u>39,510,782</u>
Net depreciable capital assets	<u>26,807,753</u>	<u>(1,681,951)</u>	<u>416,086</u>	<u>24,709,716</u>
Net depreciable and net capital assets	<u>\$ 29,284,148</u>	<u>\$ (1,681,951)</u>	<u>\$ 446,073</u>	<u>\$ 27,156,124</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				
Land	\$ 2,294,775	\$ -	\$ -	\$ 2,294,775
Construction in progress	-	181,620	-	181,620
Subtotal	<u>2,294,775</u>	<u>181,620</u>	<u>-</u>	<u>2,476,395</u>
Depreciable capital assets				
Buildings and structures	22,942,448	27,676	3,667	22,966,457
Vehicles	33,979,566	5,228,342	488,583	38,719,325
Equipment	3,592,999	60,335	269,329	3,384,005
Intangible assets	2,243,251	294,487	927,587	1,610,151
Subtotal	<u>62,758,264</u>	<u>5,610,840</u>	<u>1,689,166</u>	<u>66,679,938</u>
Accumulated depreciation	<u>37,131,245</u>	<u>4,379,153</u>	<u>1,638,213</u>	<u>39,872,185</u>
Net depreciable capital assets	<u>25,627,019</u>	<u>1,231,687</u>	<u>50,953</u>	<u>26,807,753</u>
Net depreciable and net capital assets	<u>\$ 27,921,794</u>	<u>\$ 1,413,307</u>	<u>\$ 50,953</u>	<u>\$ 29,284,148</u>



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Notes to Financial Statements  
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7. Capital Assets and Depreciation (continued)

The above land amount is inclusive of a related party capital lease in the amount of \$1,430,000, refer to Note 9 for lease details.

Depreciation expense for 2023 and 2022 was \$4,500,347 and \$4,379,153, respectively.

8. Notes Payable

During the years 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	\$ 6,503,385	\$ 7,502,886
New notes issued	6,457,600	6,546,703
Notes retired	<u>(12,960,985)</u>	<u>(7,546,204)</u>
	-	6,503,385
Less: current maturities	<u>-</u>	<u>(103,385)</u>
Long-term, less current maturities	<u>\$ -</u>	<u>\$ 6,400,000</u>

The Authority paid-off the RAN in full effective June 30, 2023.

9. Leases

The Authority rents land, under a capital lease, from the Commonwealth of Massachusetts, a related party, for \$1.00 per year. The lease commenced April 2, 2001 and terminates April 2, 2051. The land's present value as of the commencement date was recorded as a capital asset (i.e., land) and was funded via a Commonwealth capital contribution. The Authority's Hyannis Transportation Center is situated on the land and the Authority pays all operating expenses related to the property.

10. Employees' Retirement Benefits

The Authority sponsors two retirement plans for its employees.

Pension Plan

General Information about the Pension Plan

*Plan Description* – The Authority provides employees retirement benefits through the Barnstable County Retirement Association (BCRA). The Plan is a cost-sharing, multiple-employer, 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 systems. Oversight of the BCRA is provided by a five person Board of Retirement. The Plan issues a publicly available financial report that may be obtained by contacting the Plan located at 750 Attucks Lane, Hyannis, MA 02601.

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

Pension Plan (continued)

General Information about the Pension Plan (continued)

*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% to 11% of their covered compensation, depending on plan entry date and their level of compensation. The Authority's contractually required contribution rate for the year ended June 30, 2023, was 23.23% 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 for 2023 and 2022 were \$193,887 and \$224,601, respectively.

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

At June 30, 2023 and 2022, the Authority reported a liability of \$2,065,048 and \$1,676,827, respectively, 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, 2023. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2022, the Authority's proportion of net pension liability was .248%.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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10. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$250,407 and reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 227,998	\$ -
Changes in assumptions	108,857	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,206	329,935
Differences between expected and actual experience	-	6,428
 Total deferred outflows and inflows	 \$ 361,061	 \$ 336,363

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

Year	
2024	\$ (42,152)
2025	14,355
2026	14,710
2027	100,998
2028	(63,213)

*Actuarial Assumptions* – The total pension liability as of December 31, 2022 was determined by an actuarial valuation as of January 1, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Inflation	3.25%
Salary increases	Varies by length of service with ultimate rates of 4.00%
Investment rate of return/ discount rate	6.90%
Cost of living adjustments	3.0 percent of first \$18,000

CAPE COD REGIONAL TRANSIT AUTHORITY  
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10. 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)

Mortality rates:

Pre-retirement	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy Retiree	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Retiree	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	20.50%	6.59%
International developed markets equity	12.00%	6.87%
International emerging markets equity	4.50%	8.30%
Core fixed income	15.00%	1.53%
High yield fixed income	8.00%	3.54%
Real estate	10.00%	3.44%
Timberland	4.00%	4.01%
Hedge fund	10.00%	3.06%
Private equity	16.00%	9.49%
Total	100.00%	

CAPE COD REGIONAL TRANSIT AUTHORITY  
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Notes to Financial Statements  
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10. 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 6.90 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contributions. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for 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 as of December 31, 2022.

*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 6.90 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability	\$ 2,725,559	\$ 2,065,048	\$ 1,509,399

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

Other Postemployment Benefits (OPEB)

*Plan Description* - The Authority has established a single employer, defined benefit plan. The Plan provides benefits to eligible employees (1) hired before April 2, 2012, who render at least 10 years of service and attain age 55, while in service, or 20 years of service at any age, until the employee is eligible for Medicare and (2) hired on or after April 2, 2012, who render at least 10 years of service are eligible at the age of 60, while in service, until the employee is eligible for Medicare. The benefits, benefit level, employee contributions, and employer contributions are governed by the Authority. At June 30, 2023, membership consisted of 9 active plan members and 5 retired plan members, currently receiving benefits.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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Notes to Financial Statements  
June 30, 2023 and 2022

10. Employees' Retirement Benefits (continued)

Other Postemployment Benefits (OPEB) (continued)

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

*Contributions* – Contributions are voluntary and determined by the Authority. The Authority is presently on a pay-as-you-go basis.

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2023 for the report year ended June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2023 was measured by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: an inflation rate of 3.25%, a 3.65% discount rate as of June 30, 2023, projected salary increase of 6% decreasing over 11 years to an ultimate level of 4.00%, a long-term healthcare cost trend rate of 3.86% for one year, then of 6.75% decreasing by 0.25% each year to an ultimate level of 4.5% per year and mortality projected for both pre-retirement and post-retirement employees using the RP-2014 Mortality Table projected generationally with Scale MP-2021.

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

*Discount Rate* – The discount rate used to measure the total OPEB liability was 3.65%. This discount rate was equal to the prevailing municipal bond rate for the Authority's unfunded periods.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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June 30, 2023 and 2022

10. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at 6/30/2022			
As reported	\$ 2,130,160	\$ -	\$ 2,130,160
Adjust to valuation	(407,882)		(407,882)
As adjusted	1,722,278	-	1,722,278
Changes for the year:			
Service Cost	81,811		81,811
Interest	63,111		63,111
Differences between expected and actual experience	(84,892)		(84,892)
Changes in assumptions	(162,062)		(162,062)
Contributions		42,936	(42,936)
Benefit payments	(42,936)	(42,936)	-
Net changes	(144,968)	-	(144,968)
Balance at 6/30/2023	\$ 1,577,310	\$ -	\$ 1,577,310

*Sensitivity of the net OPEB liability to changes in the discount rate* - The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate, for the year ended June 30, 2023:

	1% Decrease <u>2.65%</u>	Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Net OPEB Liability	\$ 1,811,256	\$ 1,577,310	\$ 1,386,890

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates* - The following presents the net OPEB liability calculated using the current healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for the year ended June 30, 2023:

	1% Decrease <u>5.75%</u>	Current Rate <u>6.75%</u>	1% Increase <u>7.75%</u>
Net OPEB Liability	\$ 1,360,996	\$ 1,577,310	\$ 1,847,022

CAPE COD REGIONAL TRANSIT AUTHORITY  
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Notes to Financial Statements  
June 30, 2023 and 2022

10. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

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

For the year ended June 30, 2023, the Authority reported a net OPEB liability of \$1,577,310, OPEB expense of \$134,080 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 310,250	\$ 70,745
Changes in assumptions	<u>140,106</u>	<u>580,476</u>
 Total	 <u>\$ 450,356</u>	 <u>\$ 651,221</u>

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

<u>Year</u>	
2024	\$ 3,278
2025	(50,432)
2026	(37,084)
2027	(75,468)
2028	(41,159)

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Trust report. A copy of the report may be obtained by contacting the Director of Finance/Treasurer, Barnstable County Superior Court House, P.O. Box 427, Barnstable, MA 02630.

11. Commitments and Contingencies

- a) Purchase commitments – As of June 30, 2023, the Authority had purchase commitments outstanding of \$124,000.
- b) Litigation – In the normal course of operations, the Authority has been named in various claims and litigations. 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.



CAPE COD REGIONAL TRANSIT AUTHORITY  
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Notes to Financial Statements  
June 30, 2023 and 2022

11. Commitments and Contingencies (continued)

- c) 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 are subject to audit by the grantor agencies.
- d) 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 for which the Authority carries commercial insurance. Settlements have not exceeded insurance 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.

12. Subsequent Event

As of June 30, 2023, there were not any material subsequent events.

The Authority evaluated subsequent events through December 18, 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.

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 for extraordinary expense by \$10,519 and \$30,956 in 2023 and 2022, respectively. The aggregate reserve balance at June 30, 2023 and 2022 was \$431,264 and \$420,745, respectively. The reserve for extraordinary expense is included in unearned revenue in the accompanying statement of net position.

14. 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 \$156,560. In addition, the CEO is in a (1) health insurance plan and contributes 25% of the premium cost, and (2) a pension plan contributing 5% of regular salary.

CAPE COD 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	0.248%	0.305%	0.306%	0.306%	0.296%	0.305%	0.238%	0.286%	0.324%
Authority's proportionate share of the net pension liability	\$ 2,065,048	\$ 1,676,827	\$ 2,112,973	\$ 2,296,232	\$ 2,336,890	\$ 2,077,007	\$ 1,674,157	\$ 1,798,849	\$ 1,828,599
Authority's covered-employee payroll	\$ 834,471	\$ 984,896	\$ 980,490	\$ 939,989	\$ 877,752	\$ 868,833	\$ 674,182	\$ 792,231	\$ 849,571
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.47%	170.25%	215.50%	244.28%	266.24%	239.06%	248.32%	227.06%	215.24%
Plan fiduciary net position as a percentage of the total pension liability	63.77%	75.07%	66.82%	62.34%	57.63%	61.86%	57.28%	58.10%	60.43%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2022.

Schedule Presentation

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

Changes in assumptions

The net investment return assumption was lowered from 7.15% to 6.90%.

The mortality improvement scale was updated from Scale MP-2017 to Scale MP-2021

CAPE COD 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>
Actuarially required contribution	\$ 193,887	\$	224,601	\$	212,762	\$	201,233	\$	185,854	\$	182,162	\$	135,068	\$	157,188	\$	171,914
Contributions in relation to the actuarially required contribution	(193,887)		(224,601)		(212,762)		(202,072)		(185,854)		(182,162)		(135,068)		(157,188)		(171,914)
Contribution deficiency (excess)	\$ -	\$	-	\$	-	\$	(839)	\$	-	\$	-	\$	-	\$	-	\$	-
Covered-employee payroll	\$ 834,471	\$	984,896	\$	980,490	\$	939,989	\$	877,752	\$	868,833	\$	674,182	\$	792,231	\$	849,571
Contributions as a percentage of its covered-employee payroll	23.23%		22.80%		21.70%		21.50%		21.17%		20.97%		20.03%		19.84%		20.24%

Notes to Required Supplementary Information

Schedule Presentation

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

CAPE COD REGIONAL TRANSIT AUTHORITY  
(a Component Unit of the Massachusetts Department of Transportation)  
Required Supplementary Information  
Schedule of Investment Returns - Pension  
June 30,

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023	19.71%
June 30, 2022	19.75%
June 30, 2021	20.20%
June 30, 2020	16.09%
June 30, 2019	-2.34%
June 30, 2018	17.17%
June 30, 2017	7.40%
June 30, 2016	0.57%
June 30, 2015	0.57%

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.

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

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

Measurement Period	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 81,811	\$ 107,882	\$ 78,500	\$ 78,000	\$ 77,463	\$ 82,953
Interest on the total OPEB liability	63,111	46,615	54,061	49,476	31,344	25,088
Differences between expected and actual experience	(84,892)				201,296	
Changes in assumptions	(162,062)				174,660	(98,828)
Benefit payments	(42,936)	\$ (25,048)	\$ (9,000)	(9,000)	(8,686)	(8,312)
Adjust to actuarial valuation	(407,882)	480,227				
Net change in OPEB liability	(552,850)	609,676	123,561	118,476	476,077	901
Total OPEB liability - beginning	2,130,160	1,520,484	1,396,923	1,278,447	802,370	801,469
Total OPEB liability - ending	<u>1,577,310</u>	<u>2,130,160</u>	<u>1,520,484</u>	<u>1,396,923</u>	<u>1,278,447</u>	<u>802,370</u>
<b>Plan Fiduciary Net Position</b>						
Contribution - employer	42,936	25,048	9,000	9,000	8,686	8,312
Benefit payments	(42,936)	(25,048)	(9,000)	(9,000)	(8,686)	(8,312)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability - ending	<u>\$ 1,577,310</u>	<u>\$ 2,130,160</u>	<u>\$ 1,520,484</u>	<u>\$ 1,396,923</u>	<u>\$ 1,278,447</u>	<u>\$ 802,370</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 715,365	\$ 869,789	\$ 980,490	\$ 939,989	\$ 728,878	\$ 711,100
Net OPEB liability as a percentage of covered-employee payroll	220.49%	244.91%	155.07%	148.61%	175.40%	112.84%

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 10.

CAPE COD REGIONAL TRANSIT AUTHORITY  
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Required Supplementary Information  
Schedule of OPEB Contributions (Unaudited)  
June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 42,936	\$ 37,876	\$ 31,979	\$ 19,005	\$ 16,192	\$ 8,686
Contributions in relation to the actuarially determined contribution	42,936	37,876	31,979	19,005	16,192	8,686
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 715,365	\$ 869,789	\$ 980,490	\$ 939,989	\$ 728,878	\$ 711,100
Contributions as a percentage of its covered-employee payroll	6.00%	4.35%	3.26%	2.02%	2.22%	1.22%

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 10.

CAPE COD REGIONAL TRANSIT AUTHORITY  
(a Component Unit of the Massachusetts Department of Transportation)  
Statement of Costs (Unaudited)  
June 30, 2023  
Form 1

Schedule 1

	<u>Total Area Service</u>
Operating costs	
Administrative costs (excluding depreciation)	\$ 1,675,806
Purchased services	
Fixed route	8,702,936
Demand response	8,033,479
Rail - Cape Flyer	246,479
Debt Service	<u>165,182</u>
Total operating costs	<u>18,823,882</u>
Federal operating assistance	
FTA operating and administrative	18,682,849
Revenues	
Operating	
Farebox revenue	827,549
Contract income	13,283
Rail - Cape Flyer income	21,335
Other revenues	
Facility and parking income	267,049
Interest income	22,704
Miscellaneous	<u>9,524</u>
Total revenues	<u>1,161,444</u>
Net operating revenue	(1,020,411)
Adjustments	
Reserve for extraordinary expense	10,519
Pay-off revenue anticipation note	6,400,000
Adjustment from accrual to cash basis	2,037,034
Contractor Pass-thru revenue and expenses	5,463,140
Federal operating assistance	<u>(5,463,140)</u>
Operating expenses	<u>8,447,553</u>
	<u>7,427,142</u>
Net cost of service	
Net cost of service funding	2,210,229
Local assessments	<u>5,216,913</u>
State contract assistance	<u>7,427,142</u>
Total net cost to be funded	<u><u>7,427,142</u></u>

CAPE COD REGIONAL TRANSIT AUTHORITY  
(a Component Unit of the Massachusetts Department of Transportation)  
Schedule of Local (Towns) Funding (Unaudited)

Schedule 2

June 30, 2023

<u>Community</u>	<u>Share</u>
Barnstable	\$ 671,493
Bourne	150,820
Brewster	59,489
Chatham	20,175
Dennis	119,347
Eastham	59,441
Falmouth	212,771
Harwich	119,192
Mashpee	120,963
Orleans	98,884
Provincetown	118,930
Sandwich	161,051
Truro	59,480
Wellfleet	59,596
Yarmouth	178,597
	<hr/>
	\$ 2,210,229
	<hr/> <hr/>