

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

Basic Financial Statements, Supplementary Data
June 30, 2023 and 2022

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

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

The Reporting Entity

The management of the Nantucket Regional Transit Authority (the Authority) has generated this narrative overview and analysis to assist our readers in understanding the Authority's basic financial statements. The Authority was established as a political subdivision of the Commonwealth of Massachusetts (the Commonwealth) on April 15, 1986, by the town of Nantucket. This was done pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service on the island of Nantucket.

Overview of the Financial Statements

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

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

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

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Condensed Financial Information

Statement of Net Position
(000 omitted)

	2023	2022	2021
Current assets	\$ 1,820	\$ 2,581	\$ 2,635
Capital assets, net	2,552	1,725	2,042
Right to leased asset	104	124	
Restricted and other noncurrent assets	3,259	1,254	1,170
Total assets	7,735	5,684	5,847
Deferred outflows of resources	215	167	77
Total assets and deferred outflows of resources	7,950	5,851	5,924
Restricted and noncurrent liabilities	4,321	2,977	2,808
Current liabilities	336	313	261
Total liabilities	4,657	3,290	3,069
Deferred inflows of resources	81	158	116
Total liabilities and deferred inflows of resources	4,738	3,448	3,185
Net position			
Invested in capital assets	2,552	1,725	2,042
Restricted	583	324	349
Unrestricted	77	354	348
Total net position	\$ 3,212	\$ 2,403	\$ 2,739

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

	2023	2022	2021
Operating revenues			
Transportation services	\$ 615	\$ 578	\$ 390
Operating expenses			
Cost of services, maintenance and administration	3,602	3,204	2,660
Depreciation and amortization	729	522	551
	4,331	3,726	3,211
Operating loss	(3,716)	(3,148)	(2,821)
Nonoperating revenues			
Operating assistance	2,988	2,627	2,270
	2,988	2,627	2,270
Loss before capital contribution	(728)	(521)	(551)
Capital contributions	1,537	185	172
	1,537	185	172
Change in net position	809	(336)	(379)
Net position			
Beginning of year	2,403	2,739	3,118
End of year	\$ 3,212	\$ 2,403	\$ 2,739

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FINANCIAL ANALYSIS

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 \$30,000 over 2022, primarily due to increased ridership. Refer to the Economic Factors section of this MD & A to see changes in farebox revenue from Pre-Covid-19 revenue (i.e., 2019 revenue) of \$609,000 to 2023 revenue of \$568,000.

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 \$3,212,000.

The Authority's net position increased by \$809,000 during the current year. This was due to operating assistance income of \$2,988,000 and capital contributions of \$1,537,000, less an operating loss of \$3,716,000.

The Authority's total assets and deferred outflows of resources increased in 2023 versus 2022 by \$2,099,000 (36%).

Total current assets decreased by \$761,000 (29%). This was caused by decreases in cash of \$617,000, decreases in receivables for operating assistance of \$147,000 and increases in other current assets of \$3,000.

Total net capital assets increased \$827,000 (48%). This was caused by the net effect of capital acquisitions of \$1,536,000 and depreciation of \$709,000.

Right to leased asset decreased by \$20,000 (16%).

Restricted and other noncurrent assets increased in 2023 versus 2022 by \$2,005,000 (160%). This was caused by increases in restricted assets of \$1,332,000 and receivable for operating assistance of \$673,000.

Total debt increased by \$1,367,000 (42%). This was caused primarily by increases in accounts payable and accrued expense of \$1,071,000, pension liability of \$162,000, notes payable of \$115,000 and other liabilities of \$19,000.

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

Revenues

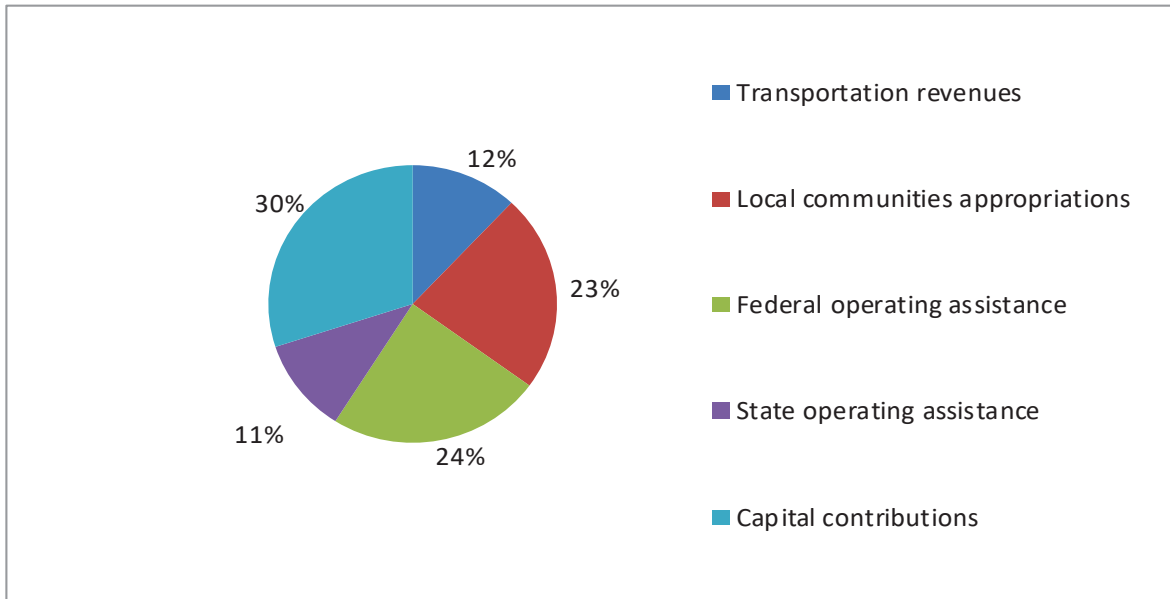
Total transportation service revenue increased by \$37,000 (6%). This increase was caused by the recovery from the past effect of the Coronavirus (Covid-19) pandemic.

Total operating assistance grants increased in 2023 versus 2022 by \$361,000 (14%). This was caused by increases in Federal funding of \$302,000, state, local and private funding of \$59,000.

Total capital contributions increased in 2023 versus 2022 by \$1,352,000 (731%).

The change in net position was an increase of \$809,000. This was caused by an operating loss of \$3,716,000, less operating assistance of \$2,988,000 and capital contributions of \$1,537,000.

Revenues by source:



NANTUCKET REGIONAL TRANSIT AUTHORITY
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Operating Expenses

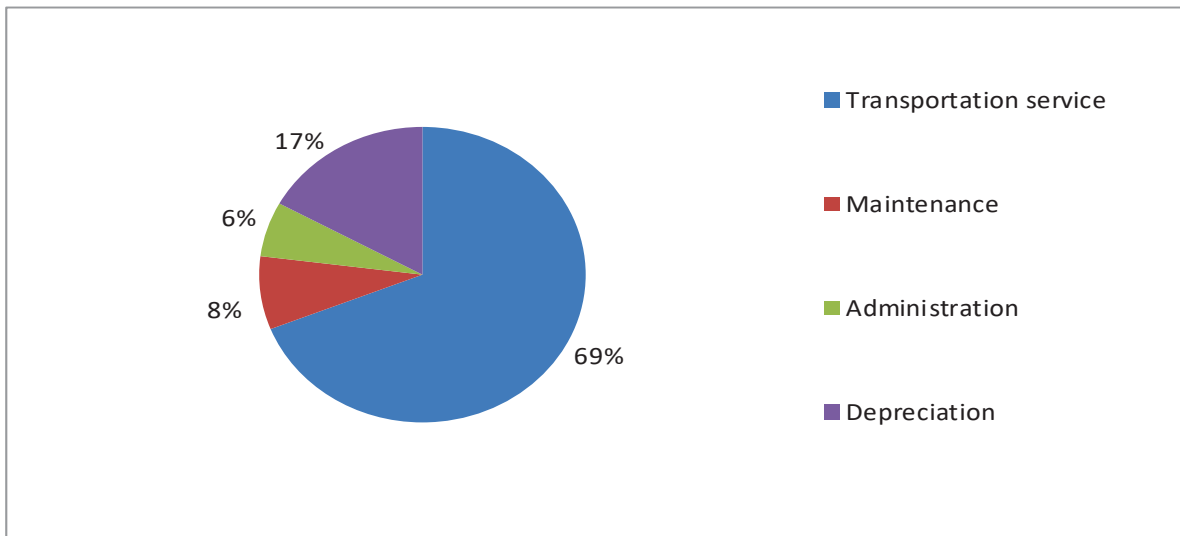
Total operating expenses increased in 2023 versus 2022 by \$605,000.

The cost of transportation service increased in 2023 versus 2022 by \$246,000 (9%). This was caused primarily by an increase in service due to the effect of the Covid-19 pandemic in prior years.

Maintenance expense and administrative expense increased in 2023 versus 2022 by \$152,000.

Depreciation expense increased in 2023 versus 2022 by \$207,000 (40%). This was primarily attributable to there being more asset acquisitions in 2023 to depreciate.

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 \$2,403,000.

The Authority's net position decreased by \$336,000 during the current year. This was due to an operating loss of \$3,148,000, less operating assistance income of \$2,627,000 and capital contributions of \$185,000.

The Authority's total assets and deferred outflows of resources decreased in 2022 versus 2021 by \$73,000 (1.2%).

Total current assets decreased by \$54,000 (2.1%). This was caused by increases in cash of \$792,000, decreases in receivables for operating assistance of \$845,000 and decreases in other current assets of \$1,000.

Total net capital assets decreased \$317,000 (15.5%). This was caused by the net effect of capital acquisitions of \$185,000 and depreciation of \$502,000.

Right to leased asset increased by \$143,000, less related amortization of \$19,000 resulting in a June 30, 2022 balance of \$124,000. This was the result of the Authority adopting GASB No. 87, *Leases*.

Restricted and other noncurrent assets increased in 2022 versus 2021 by \$84,000 (7.2%). This was caused by increases in restricted assets of \$40,000 and receivable for operating assistance of \$44,000.

Total debt increased by \$221,000 (7.2%). This was caused primarily by increases in accounts payable and accrued expense of \$117,000, postemployment benefits liability of \$178,000, lease liability of \$108,000, less decreases in net pension liability of \$82,000 and notes payable of \$100,000.

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

Revenues

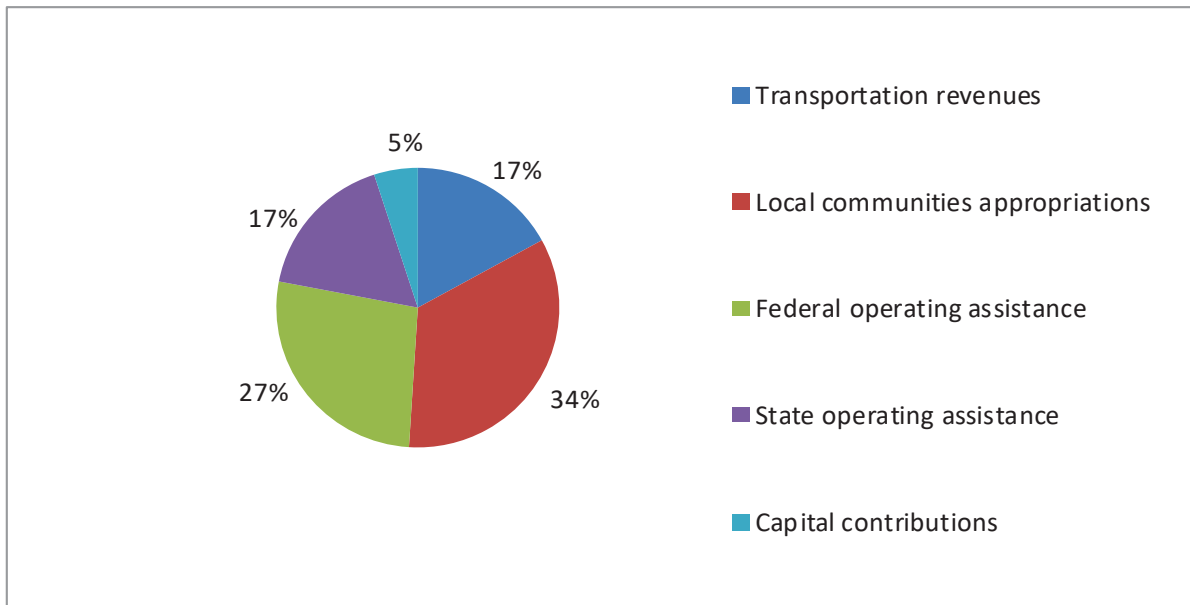
Total transportation service revenue increased by \$188,000 (48.2%). This increase was caused by the recovery from the past effect of the Coronavirus (Covid-19) pandemic.

Total operating assistance grants increased in 2022 versus 2021 by \$357,000 (15.7%). This was caused by increases in Federal funding of \$185,000, state, local and private funding of \$172,000.

Total capital contributions increased in 2022 versus 2021 by \$13,000 (7.6%).

The change in net position was a decrease of \$336,000. This was caused by an operating loss of \$3,148,000, less operating assistance of \$2,627,000 and capital contributions of \$185,000.

Revenues by source:



NANTUCKET REGIONAL TRANSIT AUTHORITY
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JUNE 30, 2023

Operating Expenses

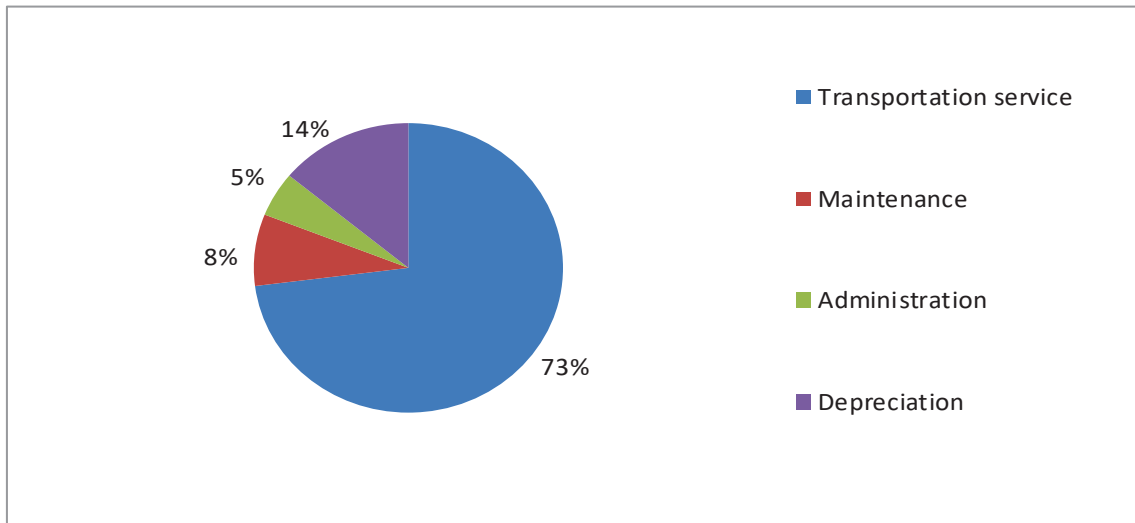
Total operating expenses increased in 2022 versus 2021 by \$515,000.

The cost of transportation service increased in 2022 versus 2021 by \$423,000 (18.2%). This was caused primarily by an increase in service due to the effect of the Covid-19 pandemic in prior years.

Maintenance expense and administrative expense increased in 2022 versus 2021 by \$121,000.

Depreciation expense decreased in 2022 versus 2021 by \$29,000 (5.3%). This was primarily attributable to there being more fully depreciated assets in 2022 versus 2021.

Expenses by source:



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Capital Assets

The Authority's capital assets as of June 30, 2023, amounted to \$2,552,000, net of accumulated depreciation. The Authority's investment in capital assets includes buildings and structures, vehicles, office and maintenance equipment, and intangible assets. During 2023, the Authority invested \$1,536,000 in various capital assets. Capital asset additions were funded through State capital grants.

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

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily, 33%, from operating assistance from MassDOT and 67% by assessments to the member community.

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

The Authority's operations were affected by the Coronavirus (Covid-19) during the current year as discussed previously. The Coronavirus and actions taken to mitigate have had and are expected to continue to have an adverse impact on the Authority's operations, but not as severe as in 2020 and 2022.

The Authority's operating revenue for the past five years is as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Farebox revenue	\$609,000	\$443,000	\$378,000	\$538,000	\$568,000
Other revenue	60,000	37,000	12,000	40,000	47,000

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 Gary Roberts, Administrator, Nantucket Regional Transit Authority, 20 R South Water Street, Nantucket, MA 02554.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Advisory Board
Nantucket Regional Transit Authority
Nantucket, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Nantucket Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 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, 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 27-30 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 include 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

NANTUCKET 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	\$ 381,727	\$ 998,790
Receivable for operating assistance	1,231,143	1,378,111
Other current assets	206,863	203,883
Total current assets	1,819,733	2,580,784
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	289,506	255,235
Receivable capital assistance	1,440,216	142,405
Total restricted assets	1,729,722	397,640
Receivable for operating assistance	1,529,771	856,764
Capital assets, net	2,551,965	1,724,739
Right to use leased asset	103,970	123,773
Total restricted and noncurrent assets	5,915,428	3,102,916
Total assets	7,735,161	5,683,700
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to OPEB	133,770	126,734
Deferred outflows of resources related to pension	80,737	40,870
	214,507	167,604
Total assets and deferred outflows of resources	7,949,668	5,851,304
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	305,364	241,560
Unearned revenue	12,475	52,985
Current maturities lease liability	18,271	18,271
Total current liabilities	336,110	312,816
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable and accrued expense	1,144,666	73,675
Total liabilities payable from restricted assets	1,144,666	73,675
Net pension liability	476,555	314,405
Other postemployment benefits	644,906	631,100
Notes payable	1,965,483	1,850,000
Lease liability, less current maturities	89,405	107,676
Total restricted and noncurrent liabilities	4,321,015	2,976,856
Total liabilities	4,657,125	3,289,672
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to OPEB	78,631	45,637
Deferred inflows of resources related to pension	1,683	112,544
Total deferred inflows of resources	80,314	158,181
Total liabilities and deferred inflows of resources	4,737,439	3,447,853
NET POSITION		
Invested in capital assets	2,551,965	1,724,739
Restricted	583,431	323,965
Unrestricted	76,833	354,747
Total net position	\$ 3,212,229	\$ 2,403,451

See accompanying notes to financial statements

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

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Transportation services	\$ 567,688	\$ 531,464
Rent income	47,000	47,000
	614,688	578,464
Operating expenses		
Transportation service	2,986,771	2,740,592
Maintenance	352,503	291,029
General and administration	262,291	172,692
	3,601,565	3,204,313
Depreciation and amortization expense	728,890	522,043
	4,330,455	3,726,356
Operating loss	(3,715,767)	(3,147,892)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	1,211,474	908,829
Commonwealth of Massachusetts	589,078	569,665
Local	1,170,910	1,142,351
Private Funding	58,865	17,565
Interest expense	(42,094)	(11,596)
	2,988,233	2,626,814
Loss before capital contributions	(727,534)	(521,078)
Capital contributions		
Commonwealth of Massachusetts capital assistance grants	1,536,312	185,224
	1,536,312	185,224
Change in net position	808,778	(335,854)
Net position		
Beginning of year	2,403,451	2,739,305
End of year	\$ 3,212,229	\$ 2,403,451

NANTUCKET 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		
Transportation services	\$ 627,163	\$ 591,849
Payments to vendors and suppliers	(3,064,779)	(2,848,242)
Payments to employees	(323,705)	(208,706)
Payments of fringe	<u>(110,314)</u>	<u>(83,216)</u>
Net cash used in operations	<u>(2,871,635)</u>	<u>(2,548,315)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	1,966,887	1,850,000
Repayment of revenue anticipation notes	(1,851,404)	(1,950,000)
Repayment of lease liability	(18,271)	(17,630)
Operating assistance grants	2,445,422	3,421,107
Private funding	19,265	27,165
Interest expense	<u>(53,936)</u>	<u>(15,663)</u>
Net cash provided by noncapital financing activities	<u>2,507,963</u>	<u>3,314,979</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(465,321)	(120,399)
Capital contributions		
Massachusetts Department of Transportation capital appropriations	<u>238,501</u>	<u>176,094</u>
Net cash used in capital and related financing activities	<u>(226,820)</u>	<u>55,695</u>
Cash flows from investing activities		
Interest income	<u>7,700</u>	<u>548</u>
Net cash provided by investing activities	<u>7,700</u>	<u>548</u>
Net increase (decrease) in cash and cash equivalents	(582,792)	822,907
Cash and cash equivalents at beginning of year	<u>1,254,025</u>	<u>431,118</u>
Cash and cash equivalents at end of year	<u>\$ 671,233</u>	<u>\$ 1,254,025</u>
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (3,715,767)	\$ (3,147,892)
Adjustments to reconcile the operating loss to net cash used in operating activities:		
Depreciation expense	709,086	502,239
Amortization expense	19,804	19,804
Other post employment benefits	39,764	70,190
Pension expense	11,422	(21,398)
Changes in assets and liabilities:		
Other assets	(2,980)	1,751
Accounts payable and accrued expense	67,036	13,606
Unearned income		13,385
Net cash used in operations	<u>\$ (2,871,635)</u>	<u>\$ (2,548,315)</u>
Supplemental disclosures of noncash transactions		
Increase (decrease) in accounts payable related to capital expenditures	\$ 67,036	\$ (64,825)

NANTUCKET 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 Nantucket Regional Transit Authority (the Authority) is a component unit of the Massachusetts Department of Transportation (MassDOT) and MassDOT is a component unit of the Commonwealth of Massachusetts (the Commonwealth). The Authority was established as a political subdivision of the Commonwealth on April 15, 1986, by the Town of Nantucket, the sole member community of the Authority. This was done pursuant to Section 3 of Chapter 161B of the General Laws of the Commonwealth, for the purpose of continuing and improving local transit service. The Authority does not have any stockholders or equity holders.

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

The Authority provides fixed route bus services to the general public and demand response services to the elderly and to individuals with disabilities. The operation of these services is performed by a private sector operator (the Operator). The Operator functions under terms and agreements whereby it provides mass transit along such routes and according to such schedules as may be defined by the Authority.

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

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current year's operations, but not as severely as in 2020 and 2021. In fact, 2023 farebox revenue increased by \$21,000 over 2022, primarily due to increased ridership. However, it has not recovered to the Pre-Covid revenue amount. The current year farebox is \$559,000 and the 2019 amount was \$609,000.

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.

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.

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2. Summary of Significant Accounting Policies (continued)

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

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 expenses. 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 22*, and Statement No. 100, *Accounting Change and Error Corrections – An Amendment of GASB Statement No. 62*.

The Authority's adoption of these 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	4 – 10
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) Restricted Cash and Investment Accounts – Certain cash and investments are segregated from operating cash due to certain internal or external restrictions as follows:

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

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

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

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2. Summary of Significant Accounting Policies (continued)

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

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

n) Deferred Outflows/Inflows of Resources - The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. For fiscal 2023, the Authority has reported deferred outflows and inflows that are related to its pension and OPEB plans.

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

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

q) 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.

3. Cash, Cash Equivalents and Investments

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

a) Investment Policy

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

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3. Cash, Cash Equivalents and Investments (continued)

b) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority's deposits may not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are fully insured by the Federal Depository Insurance Corporation (FDIC) or are collateralized with securities held by the pledging financial institution's trust department or agent in the pledging financial institution's name.

The total amounts of Authority deposits in financial institutions, per the bank statements, at June 30, 2023 and 2022 are fully insured by the FDIC or collateralized.

c) Interest Rate Risk

As of June 30, 2023, the Authority's primary short-term investment was in the State Treasurer's Investment Pool, MMDT. The fair value of this investment was \$155,116, and its average maturity is less than one year.

d) Credit Risk

As of June 30, 2023, the Authority's investment in the MMDT was not rated.

e) Fair Value Measurement

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

f) Liquidity

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

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

	<u>2023</u>	<u>2022</u>
Current asset - cash and cash equivalents	\$ 381,727	\$ 998,790
Restricted assets - cash and cash equivalents	289,506	255,235
	<u>\$ 671,233</u>	<u>\$ 1,254,025</u>

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

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4. Grants

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

5. Receivable for Operating and Capital Assistance

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

	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Operating assistance		
United States Department of Transportation - Pass-through grants through the Commonwealth Operating grants	\$ 658,851	\$ 289,079
Local operating assistance to be billed to the Towns constituting the Authority and paid by the Commonwealth to the Authority	<u>2,102,063</u>	<u>1,945,796</u>
Total operating assistance	2,760,914	2,234,875
Less noncurrent portion	<u>(1,529,771)</u>	<u>(856,764)</u>
Total current operating assistance	<u><u>\$ 1,231,143</u></u>	<u><u>\$ 1,378,111</u></u>
<u>Noncurrent</u>		
Capital assistance		
Commonwealth of Massachusetts	<u>\$ 1,440,216</u>	<u>\$ 142,405</u>
Total capital assistance	<u><u>\$ 1,440,216</u></u>	<u><u>\$ 142,405</u></u>

6. Other Current Assets

The other current asset balance includes a motor vehicle parts and fuel inventory for 2023 and 2022 of approximately \$1,000 and \$17,000, respectively. This inventory is stated at the lower of cost or market on a first-in, first-out basis.

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7. Capital Assets and Depreciation

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Building and structures	\$ 1,544,340	\$ 4,125	\$ -	\$ 1,548,465
Vehicles	4,874,589	1,236,009	-	6,110,598
Equipment	354,411	204,837	83,282	475,966
Intangible asset	141,553	91,341	71,569	161,325
Subtotal	<u>6,914,893</u>	<u>1,536,312</u>	<u>154,851</u>	<u>8,296,354</u>
Accumulated depreciation	<u>5,190,154</u>	<u>709,086</u>	<u>154,851</u>	<u>5,744,389</u>
Net depreciable and net capital assets	<u>\$ 1,724,739</u>	<u>\$ 827,226</u>	<u>\$ -</u>	<u>\$ 2,551,965</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Building and structures	\$ 1,542,465	\$ 1,875	\$ -	\$ 1,544,340
Vehicles	4,851,339	127,130	103,880	4,874,589
Equipment	418,236	4,805	68,630	354,411
Intangible asset	273,277	51,414	183,138	141,553
Subtotal	<u>7,085,317</u>	<u>185,224</u>	<u>355,648</u>	<u>6,914,893</u>
Accumulated depreciation	<u>5,043,563</u>	<u>502,239</u>	<u>355,648</u>	<u>5,190,154</u>
Net depreciable and net capital assets	<u>\$ 2,041,754</u>	<u>\$ (317,015)</u>	<u>\$ -</u>	<u>\$ 1,724,739</u>

Depreciation expense for 2023 and 2022 was \$709,086 and \$502,239.

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8. Notes Payable

Revenue Anticipation Note

The Authority's revenue anticipation note activity for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
3.88% Revenue Anticipation Note, due May 26, 2024	\$ -	\$ 1,966,887	\$ 1,404	\$ 1,965,483
.38% Revenue Anticipation Note	1,850,000		1,850,000	-
Total	<u>1,850,000</u>	<u>1,966,887</u>	<u>1,851,404</u>	<u>1,965,483</u>

The RAN outstanding at June 30, 2023, is guaranteed by the Commonwealth of Massachusetts. The interest rates delineated above are net interest costs. This note 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. The above note balance at June 30, 2023 is inclusive of \$15,483 premium.

9. Restricted Net Position

Restricted net position is comprised of the total restricted net assets less liabilities payable from restricted net assets. The following delineates the expendable versus nonexpendable restricted net position for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Expendable		
Restricted for capital assets	\$ 293,925	\$ 68,730
Nonexpendable		
Restricted by enabling legislation		
Stabilization fund	92,091	92,091
Reserve for extraordinary expense	197,415	163,144
	<u>289,506</u>	<u>255,235</u>
	<u>\$ 583,431</u>	<u>\$ 323,965</u>

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10. Leases

Right to use asset

The Authority recorded one right to use asset related to a lease of land. 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	\$ 143,577	\$ -	\$ -	\$ 143,577
Less: Accumulated amortization				
Land	(19,804)		19,803	(39,607)
Total	<u>\$ 123,773</u>	<u>\$ -</u>	<u>\$ 19,803</u>	<u>\$ 103,970</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 87 monthly payments of \$1,876. 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	\$ 125,947	\$ -	\$ 18,271	\$ 107,676
Less: Current maturities				(18,271)
Long-term liability				<u>\$ 89,405</u>

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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	\$ 18,942	\$ 3,570	\$ 22,512
2025	19,656	2,856	22,512
2026	20,338	2,174	22,512
2027	21,147	1,365	22,512
2028	22,136	376	22,512
	102,219	10,341	112,560
Thereafter	5,457	171	5,628
	\$ 107,676	\$ 10,512	\$ 118,188

11. Employees' Retirement Benefits

Pension Plan

General Information about the Pension Plan

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

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

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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

Contributions – Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan between 5% and 11% of their covered compensation, depending on plan entry date. The Authority's statutory required contribution rate for the year ended June 30, 2023, was 23.64% 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 \$45,523 for the year ended June 30, 2023.

At June 30, 2023 and 2022, the Authority reported a liability of \$476,555 and \$314,405, 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 .057 percent.

For the year ended June 30, 2023 and 2022, the Authority recognized pension expense of \$55,925 and \$21,448, respectively, and reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 1,483
Net difference between expected projected and actual investment income	52,615	-
Changes in assumptions	25,121	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,001	200
Total deferred outflows and inflows of resources	\$ 80,737	\$ 1,683

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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)

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	\$ 5,503
2025	16,054
2026	18,565
2027	38,494
2028	488
	\$ 79,104

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
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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	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%	

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.

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 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:

	Decrease <u>(5.90%)</u>	Discount Rate <u>6.90%</u>	Increase <u>(7.90%)</u>
Authority's proportionate share of the net pension liability	\$ 628,982	\$ 476,555	\$ 348,327

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

Other Postemployment Benefits (OPEB)

Plan Description - The Authority has established a plan to provide postemployment healthcare benefits through the Barnstable County Postemployment Welfare Benefit Plan. The Plan provides benefits to eligible employees (1) hired before April 2, 2012, who render at least 10 years of service and attain age 55, while in service, or 20 years of service at any age, until the employee is eligible for Medicare and (2) hired on or after April 2, 2012, who render at least 10 years of service are eligible at age 60, while in service until the employee is eligible for Medicare. The benefits, benefit level, employee contributions, and employer contributions are governed by the Authority. At June 30, 2023, membership consisted of 2 active plan members and 1 retired plan member.

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 pays 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 pays 100% of the enrollment costs as established annually by the Plan administrator. The retired employee must pay 25% of the enrollment cost (the "working rate") as established annually by the Plan administrator. The Authority contributes the remainder of the health plan costs on a fully funded basis.

Contributions – Contributions are voluntary and determined by the Authority. Presently, contributions are on a pay-as-you-go basis. For the years ended June 30, 2023 and 2022, the Authority made contributions to the Plan of \$20,140 and \$8,536, respectively.

NANTUCKET 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)

Other Postemployment Benefits (OPEB)

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation and the related update to June 30, 2023 (the report date), were determined using the following actuarial assumptions, applied to all periods included in the measurement: the entry age normal cost method, an inflation rate of 2.50%, a 2.25% discount rate, projected salary increase of 3% annually, a long-term healthcare cost trend rate of 4.5% per year, municipal bond rate of 2.18% and mortality projected for both males and females using the RP-2014 Mortality Tables projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2018 through June 30, 2020.

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

Discount Rate – The discount rate used to measure the total OPEB liability was 2.25% as of June 30, 2023 and 2.75% as of the previous actuarial valuation. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Because there is no funding policy, the discount rate was determined by a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average of AA/Aa or higher.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance as reported 6/30/2022	\$ 631,100	\$ -	\$ 631,100
Changes for the year:			
Service Cost	19,793		19,793
Interest	14,153		14,153
Other	(20,140)		(20,140)
Net changes	13,806	-	13,806
Balance at 6/30/2023	\$ 644,906	\$ -	\$ 644,906

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

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

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

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Net OPEB Liability	\$ 769,958	\$ 644,906	\$ 545,019

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability calculated using the current healthcare cost trend rates that are 1-percentage-point lower (3.5%) or 1-percentage-point higher (5.5%) than the current healthcare cost trend rates for the measurement period ended June 30, 2023:

	1% Decrease 3.5%	Current Rate 4.5%	1% Increase Rate 5.5%
Net OPEB Liability	\$ 530,839	\$ 644,906	\$ 791,803

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

For the year ended June 30, 2023, the Authority reported a net OPEB liability of \$644,906, OPEB expense of \$39,764 and reported deferred outflows of resources and deferred inflows of resources related OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,767	\$ 55,042
Changes in assumptions	103,003	23,589
Total	\$ 133,770	\$ 78,631

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

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

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

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	\$ 26,197
2025	<u>28,942</u>
	<u><u>\$ 55,139</u></u>

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

12. Commitments and Contingencies

- a) Federal and State Grants - The Authority has received capital and operating financial assistance from Federal and State agencies in the form of grants. Expenditure of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.
- b) Risk management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverages for each of the past three fiscal years.

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

- c) Purchase Commitments – The Authority does not have any material purchase commitments at June 30, 2023.

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

13. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. For fiscal years 2023 and 2022, the Authority increased the reserve by \$34,271 and \$30,788, respectively. The aggregate reserve balance at June 30, 2023 and 2022 was \$197,415 and \$163,144, respectively.

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

14. 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.

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 is \$125,000. In addition, the CEO is in a (1) health insurance plan contributing 10% of the premium, (2) a pension plan contributing 10% of regular salary and (3) a group life insurance plan contributing 50% of the premium.

Advisory Board members and related officers do not receive compensation.

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

	<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	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%
Authority's proportionate share of the net pension liability	\$ 476,555	\$ 314,405	\$ 396,183	\$ 430,548	\$ 452,305	\$ 389,444	\$ 401,799	\$ 359,774	\$ 322,696
Authority's covered-employee payroll	\$ 192,570	\$ 184,688	\$ 183,842	\$ 176,248	\$ 169,888	\$ 162,906	\$ 161,804	\$ 158,446	\$ 149,925
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.47%	170.25%	215.50%	244.29%	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
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.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of Pension Contributions (Unaudited)
June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution	\$ 45,523	\$ 42,846	\$ 39,893	\$ 37,732	\$ 36,639	\$ 34,789	\$ 33,027	\$ 31,438	\$ 30,338
Contributions in relation to the actuarially required contribution	(45,523)	(42,846)	(39,893)	(38,569)	(36,639)	(34,789)	(33,027)	(31,438)	(30,338)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (837)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 192,570	\$ 184,688	\$ 183,842	\$ 176,248	\$ 169,888	\$ 162,906	\$ 161,804	\$ 158,446	\$ 149,925
Contributions as a percentage of its covered-employee payroll	23.64%	23.20%	21.70%	21.88%	21.57%	21.36%	20.41%	19.84%	20.24%

Notes to Required Supplementary Information

Schedule Presentation

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

Contributions

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of Investment Returns
For the Measurement Periods Ended June 30,

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2023	-11.28%
2022	19.75%
2021	12.20%
2020	16.09%
2019	-2.34%
2018	17.17%
2017	7.40%
2016	0.57%
2015	7.58%

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.

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

Measurement Period	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service cost	\$ 19,793	\$ 17,665	\$ 18,094	\$ 17,229	\$ 16,490	\$ 16,747	\$ 16,747
Interest on the total OPEB liability	14,153	13,982	11,908	11,300	14,316	11,015	11,015
Changes in assumptions			119,550		80,811		(41,095)
Differences between actual and expected experience			47,987		(96,883)		
Contributions	(20,140)	(8,536)	(8,873)	(5,744)		(1,587)	(1,587)
Net change in OPEB liability	13,806	23,111	188,666	22,785	14,734	26,175	(14,920)
Total OPEB liability - beginning	631,100	607,989	419,323	396,538	381,804	355,629	370,549
Total OPEB liability - ending	644,906	631,100	607,989	419,323	396,538	381,804	355,629
Plan Fiduciary Net Position							
Contribution - employer	\$ 20,140	\$ 8,536	\$ 8,873	5,744	-	1,587	1,587
Administration expense	(20,140)	(8,536)	(8,873)	(5,744)	-	(1,587)	(1,587)
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-	-	-
Net OPEB Liability - ending	\$ 644,906	\$ 631,100	\$ 607,989	\$ 419,323	\$ 396,538	\$ 381,804	\$ 355,629

Plan fiduciary net position as a percentage of the total OPEB liability

Covered-employee payroll

Net OPEB liability as a percentage of covered-employee payroll

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.

NANTUCKET 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>	<u>2017</u>
Actuarially determined contribution	\$ 38,726	\$ 36,549	\$ 36,286	\$ 36,288	\$ 35,549	\$ 1,587	\$ 1,587
Contributions in relation to the actuarially determined contribution	(20,140)	8,536	8,873	5,744	-	1,587	1,587
Contribution deficiency (excess)	\$ 18,586	\$ 28,013	\$ 27,413	\$ 30,544	\$ 35,549	\$ -	\$ -
Covered-employee payroll	\$ 179,095	\$ 173,879	\$ 168,815	\$ 168,838	\$ 156,971	\$ 162,906	\$ 161,804
Contributions as a percentage of its covered-employee payroll	-11.25%	4.91%	5.26%	3.40%	0.00%	0.97%	0.98%

Notes to Required Supplementary Information

Schedule Presentation

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

Significant assumptions and methods

For assumptions and methods used see Note 11.

Changes in assumptions from last actuarial valuation

The discount rate changed from 2.75% to 2.25%, the expected long-term medical trend was 4.50%, and the mortality table was updated to the RP-2014 Mortality Table projected generationally with scale MP-2016 for both males and females.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule 1

STATEMENT OF COSTS (Unaudited)
JUNE 30, 2023
FORM 1

	<u>Rural Area Service</u>
Operating Costs	
RTA administrative costs (excluding depreciation)	\$ 262,291
Purchased services	
Fixed route	3,045,470
Demand response	293,803
Debt Service	<u>49,794</u>
Total Operating Costs	3,651,358
Federal Operating Assistance	
FTA operating and administrative	1,211,474
Revenues	
Operating	
Farebox Revenue	567,687
Other third party reimbursement	58,865
Other Revenues	
Interest income	7,700
Rental income	47,000
Total Other Revenues	<u>54,700</u>
Net Operating Deficit	1,758,632
Adjustments	
Reserve for extraordinary expense	34,271
Pension, OPEB and leases	<u>(32,915)</u>
Total Adjustments	1,356
Net Cost of Service	1,759,988
Net Cost of Service Funding	
Local Assessments	1,170,910
State contract assistance	<u>589,078</u>
	<u><u>1,759,988</u></u>