

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

Basic Financial Statements, Supplementary Data
June 30, 2022

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

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MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

The Reporting Entity

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

Overview of the Financial Statements

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

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

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

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

**MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022**

Condensed Financial Information

Statement of Net Position
(000 omitted)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 3,243	\$ 3,273	\$ 3,516
Capital assets, net	23,151	22,733	19,706
Restricted and noncurrent assets	<u>3,300</u>	<u>6,105</u>	<u>2,893</u>
Total assets	29,694	32,111	26,115
Deferred outflows of resources	<u>277</u>	<u>223</u>	<u>207</u>
Total assets and deferred outflows of resources	<u>29,971</u>	<u>32,334</u>	<u>26,322</u>
Restricted and noncurrent liabilities	3,411	6,485	4,112
Current liabilities	379	686	237
Total liabilities	<u>3,790</u>	<u>7,171</u>	<u>4,349</u>
Deferred inflows of resources	<u>588</u>	<u>205</u>	<u>74</u>
Total liabilities and deferred inflows of resources	<u>4,378</u>	<u>7,376</u>	<u>4,423</u>
Net position			
Invested in capital assets	23,151	22,733	19,706
Restricted	787	908	401
Unrestricted	<u>1,655</u>	<u>1,317</u>	<u>1,792</u>
Total net position	<u>\$ 25,593</u>	<u>\$ 24,958</u>	<u>\$ 21,899</u>

**MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022**

Condensed Financial Information (continued)

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues			
Transportation services	\$ 1,779	\$ 1,289	\$ 1,479
Operating expenses			
Cost of transportation service, maintenance and administration	6,295	5,146	5,592
Depreciation	2,865	2,443	2,150
	<u>9,160</u>	<u>7,589</u>	<u>7,742</u>
Operating loss	<u>(7,381)</u>	<u>(6,300)</u>	<u>(6,263)</u>
Nonoperating revenues and (expenses)			
Operating assistance	4,727	3,903	4,127
Other nonoperating	(96)	(117)	(188)
	<u>4,631</u>	<u>3,786</u>	<u>3,939</u>
Loss before capital contribution	<u>(2,750)</u>	<u>(2,514)</u>	<u>(2,324)</u>
Capital contributions	<u>3,385</u>	<u>5,573</u>	<u>6,278</u>
Change in net position	635	3,059	3,954
Net position			
Beginning of year	24,958	21,899	17,945
End of year	<u>\$ 25,593</u>	<u>\$ 24,958</u>	<u>\$ 21,899</u>

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2022 and 2021

Coronavirus Pandemic

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

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

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

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

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

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

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

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

Revenues

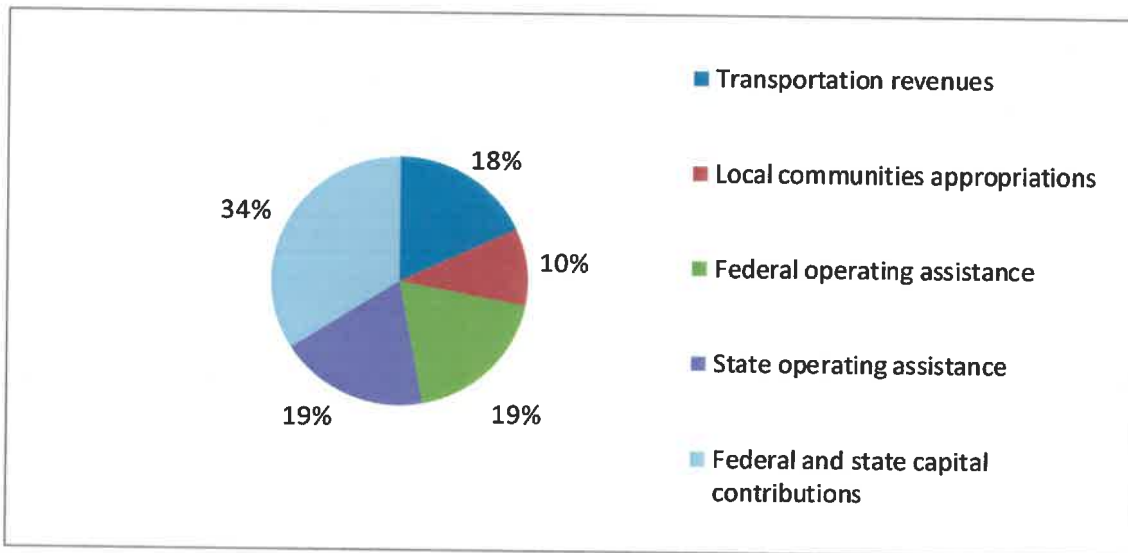
Total transportation service revenue increased in 2022 versus 2021 by \$490,000 (38.0%). This was caused by increases in farebox revenue of \$388,000 and other revenue of \$102,000.

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

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

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

Revenues by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

Operating Expenses

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

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

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

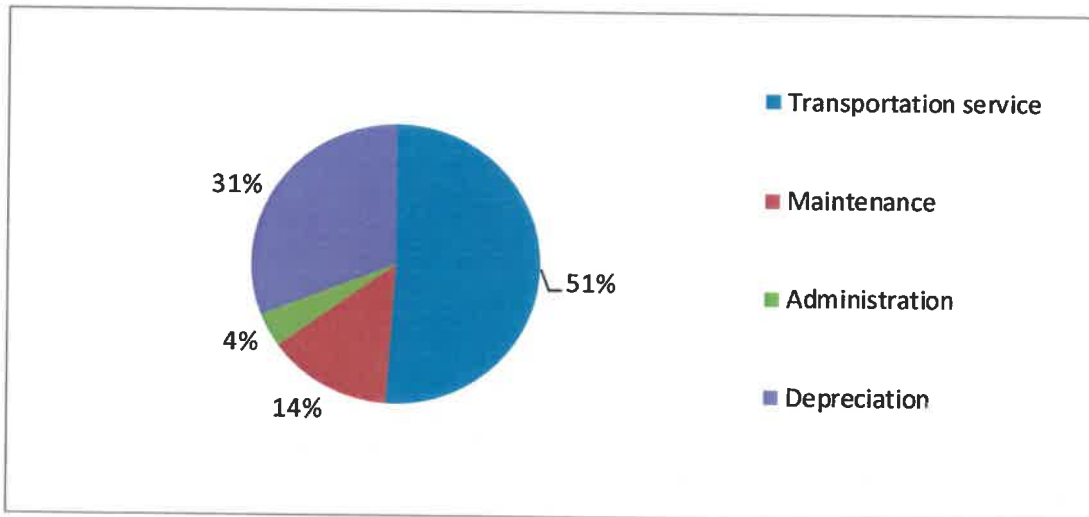
Total general and administration expense increased in 2022 versus 2021 by \$210,000 (1.2%).

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

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

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

Expenses by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

FINANCIAL ANALYSIS

Comparison of Financial Condition at June 30, 2021 and 2020

Coronavirus Pandemic

As during 2020, the Coronavirus (COVID-19) epidemic significantly affected the Authority's operations. To gain an understanding of the magnitude of the pandemic's effect, consider the following. Transportation revenue is down \$645,000 and operating expenses are up \$90,000 when compared to the last pre-pandemic year (namely, 2019).

Fortunately, the Coronavirus Aid Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The Authority received a CARES Act grant totaling \$2,924,620 after amendments. This grant eliminated any pandemic related funding problems. The Authority used approximately \$1,092,000 to fund 2021 operations.

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$24,958,000.

The Authority's net position increased by \$3,059,000 during the current year.

The Authority's total assets increased in 2021 versus 2020 by \$5,996,000.

Total current assets decreased in 2021 versus 2020 by \$243,000. This was caused by increases in cash of \$550,000, prepaid fuel hedge and inventory of \$139,000, prepaid expense of \$396,000 (primarily prepaid insurance), less a decrease in the receivable for operating assistance of \$1,328,000.

Total net capital assets increased in 2021 versus 2020 by \$3,027,000 (15.4%). This was caused by capital acquisitions of \$8,574,000 less removals and depreciation. These acquisitions were funded by Federal and State capital grants.

The deferred outflows of resources related to pensions and OPEB had an increase of \$16,000 (7.7%) in 2021 versus 2020.

Total liabilities increased in 2021 versus 2020 by \$2,822,000 (64.9%). This was caused by increases in accounts payable of \$3,032,000, and revenue anticipation notes of \$13,000, less a decrease in net pension liability of \$223,000.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

Revenues

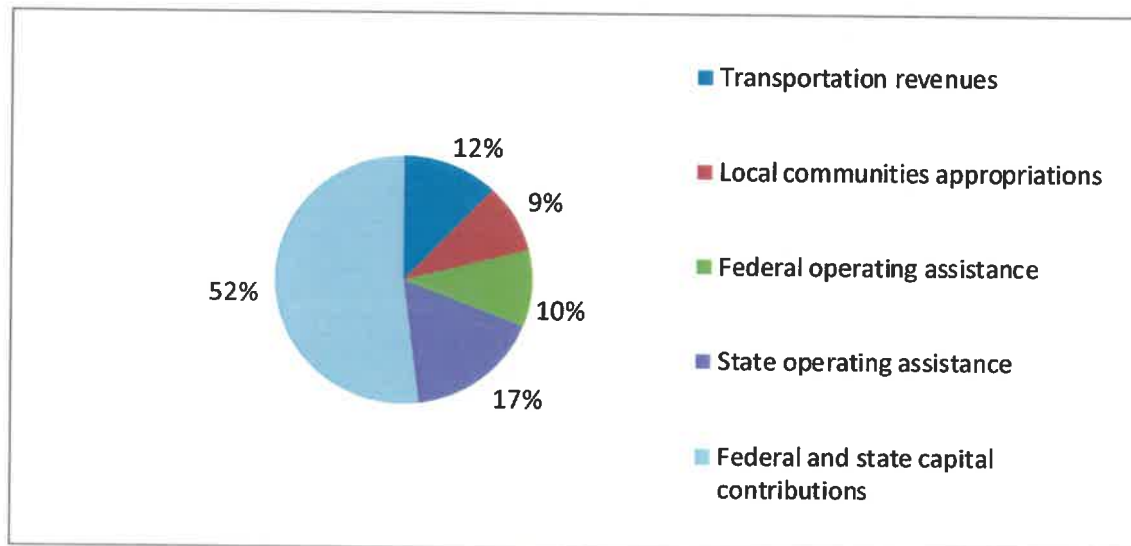
Total transportation service revenue decreased in 2021 versus 2020 by \$190,000 (12.8%). This was caused by decreases in farebox revenue of \$166,000 and other revenue of \$24,000. Both decreases were the result of actions taken to mitigate the effect of the Coronavirus (Covid-19) pandemic.

Total operating assistance grants decreased in 2021 versus 2020 by \$224,000 (5.4%). This was caused by the fact that reimbursable expense was lower in 2021 versus 2020; thus, less of a funding need existed.

Total capital contribution decreased in 2021 versus 2020 by \$705,000 (11.2%). This was caused by higher capital expenditures in the prior year; thus, less of a funding need existed in 2021.

Net position increased in 2021 by \$3,059,000. This was caused by operating assistance of \$3,903,000 and capital assistance of \$5,573,000, less an operating loss of \$6,300,000 and nonoperating loss of \$117,000.

Revenues by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

Operating Expenses

Total operating expenses decreased in 2021 versus 2020 by \$153,000 (2.0%).

The cost of transportation service decreased in 2021 versus 2020 by \$559,000 (12.4%).

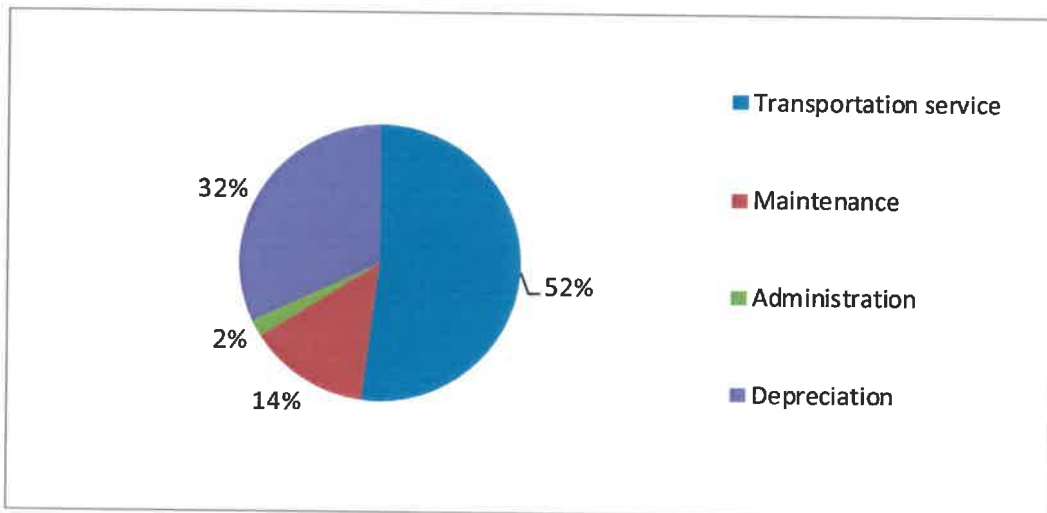
The total of maintenance and administrative expense increased in 2021 versus 2020 by \$113,000 (10.3%).

Depreciation expense increased in 2021 versus 2020 by \$293,000 (13.6%). This was primarily attributable to the addition of one full year of depreciation on 2020 acquisitions and one half year of depreciation on 2021 acquisitions.

The Authority's operating loss increased in 2021 versus 2020 by \$37,000 (.6%). This was caused primarily by revenue losses as a result of the reduction in service and additional expenses related to the Covid-19 pandemic.

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

Expenses by source:



MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

Capital Assets

The Authority's capital assets as of June 30, 2022, amounted to \$23,151,000, net of accumulated depreciation. The Authority's investment in capital assets includes buildings and structures, vehicles, office and maintenance equipment and intangible assets. During 2022, the Authority invested \$3,302,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants. During the current year, the most significant capital asset acquisitions were the acquisition of vehicles and the electric bus infrastructure assets.

More detailed information regarding the Authority's capital asset activities for 2022 can be found in the notes to the financial statements.

Revenue Anticipation Note

The Authority had a revenue anticipation note, inclusive of premium, of \$2,000,000 and \$2,013,000 at the end of 2022 and 2021, respectively.

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily, 65%, from operating assistance from the Commonwealth and 35% by assessments to the member communities.

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

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

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

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2022

Contacting the Authority's Financial Management

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

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

Statement of Net Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 669,125	\$ 898,995
Receivable for operating assistance	1,941,289	1,297,241
Prepaid fuel hedge	27,521	238,825
Inventory	402,568	394,739
Prepaid expense	171,985	442,802
Lease receivable	31,085	
Total current assets	<u>3,243,573</u>	<u>3,272,602</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	307,574	278,047
Receivable for capital assistance	1,655,590	4,902,808
Total restricted assets	<u>1,963,164</u>	<u>5,180,855</u>
Receivable for operating assistance	544,915	667,716
Capital assets, net	23,151,269	22,732,933
Net OPEB asset	453,474	256,824
Lease receivable, less current portion	94,015	
Right to use asset	243,991	
Total restricted and noncurrent assets	<u>26,450,828</u>	<u>28,838,328</u>
Total assets	<u>29,694,401</u>	<u>32,110,930</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	146,940	110,194
Deferred outflows of resources related to OPEB	130,239	113,256
	<u>277,179</u>	<u>223,450</u>
Total assets and deferred outflows of resources	<u>29,971,580</u>	<u>32,334,380</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	305,049	686,351
Lease liability	74,577	
Total current liabilities	<u>379,626</u>	<u>686,351</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable and accrued expense	1,176,343	4,272,369
Total liabilities payable from restricted assets	<u>1,176,343</u>	<u>4,272,369</u>
Lease liability, less current portion	157,584	
Net pension liability	77,080	199,587
Revenue anticipation notes	2,000,000	2,013,247
Total restricted and noncurrent liabilities	<u>3,411,007</u>	<u>6,485,203</u>
Total liabilities	<u>3,790,633</u>	<u>7,171,554</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	273,503	154,742
Deferred inflows of resources related to OPEB	192,605	50,186
Deferred inflows of resources related to leases	122,009	
	<u>588,117</u>	<u>204,928</u>
Total liabilities and deferred inflows of resources	<u>4,378,750</u>	<u>7,376,482</u>
NET POSITION		
Invested in capital assets	23,151,269	22,732,933
Restricted	786,821	908,486
Unrestricted	1,654,740	1,316,479
Total net position	<u>\$ 25,592,830</u>	<u>\$ 24,957,898</u>

See accompanying notes to financial statements

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

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Transportation services	\$ 1,779,224	\$ 1,289,654
Operating expenses		
Cost of transportation service	4,619,869	3,935,716
Maintenance	1,295,722	1,040,556
General and administration	379,474	169,871
	<u>6,295,065</u>	<u>5,146,143</u>
Depreciation and amortization	2,865,200	2,443,299
	<u>9,160,265</u>	<u>7,589,442</u>
Operating loss	(7,381,041)	(6,299,788)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	1,828,647	1,091,682
Commonwealth of Massachusetts	1,889,575	1,827,557
Local	1,008,847	984,241
Loss on disposal of capital assets	(79,573)	(99,878)
Interest expense	(16,540)	(18,184)
	<u>4,630,956</u>	<u>3,785,418</u>
Loss before capital contributions	(2,750,085)	(2,514,370)
Capital contributions		
Federal	875,016	2,296,119
Commonwealth of Massachusetts	2,510,001	3,276,951
	<u>3,385,017</u>	<u>5,573,070</u>
Change in net position	634,932	3,058,700
Net position		
Beginning of year	24,957,898	21,899,198
End of year	\$ <u>25,592,830</u>	\$ <u>24,957,898</u>

See accompanying notes to financial statements

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

Statement of Cash Flows

Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Receipts from customers	\$ 1,712,363	\$ 1,416,060
Payments to vendors and suppliers	(5,372,212)	(4,354,719)
Payments to employees	(758,479)	(732,710)
Payments of fringe	<u>(172,219)</u>	<u>(116,200)</u>
Net cash used in operations	<u>(4,590,547)</u>	<u>(3,787,569)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	2,000,000	2,017,155
Repayment of revenue anticipation notes	(2,013,247)	(2,003,907)
Lease receivable proceeds	32,063	
Operating assistance grants	4,242,181	4,946,574
Interest on notes	<u>(24,930)</u>	<u>(26,000)</u>
Net cash provided by noncapital financing activities	<u>4,236,067</u>	<u>4,933,822</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(6,398,136)	(3,074,995)
Capital contributions		
Federal Transit Administration	3,232,044	320,018
Commonwealth of Massachusetts	3,400,191	2,180,262
Lease liability payments	(81,831)	
Proceeds from sale of equipment		<u>3,055</u>
Net cash provided by (used in) capital and related financing activities	<u>152,268</u>	<u>(571,660)</u>
Cash flows from investing activities		
Interest income	<u>1,869</u>	<u>3,680</u>
Net cash provided by investing activities	<u>1,869</u>	<u>3,680</u>
Net increase (decrease) in cash and cash equivalents	(200,343)	578,273
Cash and cash equivalents at beginning of year	<u>1,177,042</u>	<u>598,769</u>
Cash and cash equivalents at end of year	<u>\$ 976,699</u>	<u>\$ 1,177,042</u>
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (7,381,041)	\$ (6,299,788)
Adjustments to reconcile the operating loss to net cash used in operating activities:		
Depreciation and amortization expense	2,865,200	2,443,299
Post employment healthcare credit	(71,222)	(5,789)
Pension expense	(40,491)	33,324
Lease income	(30,502)	
Other	13,253	
Changes in assets and liabilities:		
Receivables, net	(36,359)	126,406
Prepaid fuel hedge	211,304	(130,667)
Other assets	262,988	(403,783)
Accounts payable and accrued expense	<u>(383,677)</u>	<u>449,429</u>
Net cash used in operations	<u>\$ (4,590,547)</u>	<u>\$ (3,787,569)</u>
Supplemental disclosures of noncash transactions		
Increase in accounts payable related to capital expenditures	\$ 3,096,026	\$ 2,583,337

See accompanying notes to financial statements

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2022 and 2021

1. The Reporting Entity

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

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

The operation of the Authority was performed by Transit Connection, Incorporated (the Operator). The Operator functions under terms and agreements whereby it provides mass transit along such routes and according to such schedules as may be defined by the Authority. The current agreement terminates January 31, 2023. The contract may be terminated by either party with ninety days notice.

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

Coronavirus Pandemic

The Coronavirus (COVID-19) epidemic adversely affected the current years operations, but not as severely as in 2020 and 2021. In fact, 2022 farebox revenue increased by \$388,000 over 2021, primarily due to increased ridership. However, it has not recovered to the Pre-Covid revenue amount. The current year farebox is \$1,482,000 and the 2019 (Pre-Covid) amount was \$1,698,000.

2. Summary of Significant Accounting Policies

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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

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

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

Comparative Financial Statements – Normally, when an entity adopts a new GASB standard, it is applied retroactively to prior years. Namely, the prior year in comparative financial statements is restated. During the current year, the Authority adopted GASB No. 87, *Leases*. The GASB (Board) determined the impracticality of transitioning retrospectively to the new standard. The standard notes that applying GASB No. 87 retroactively to present comparative periods is only required if practicable; thus, the adjustments to the Statement of Financial Position should be based on the transition date. Considering the complexities of adopting this statement, the Authority has not restated prior periods. It was not practicable to do so.

b) Adoption of New Accounting Pronouncements – In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement increases the usefulness of financial statements by requiring recognition of certain leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. Note disclosures about leases are also addressed.

The adoption of this standard had the following effect on the Authority's financial statements:

- (1) For leases where the Authority is the lessor:
 - a) the recording of a lease receivable of \$152,511, a deferred inflow of resources of \$152,511, lease income of \$30,502 and interest income of \$4,652.
 - b) the Authority also implemented significant new note disclosures.
- (2) For leases where the Authority is a lessee:
 - a) the recording of a right to use asset of \$304,989, a lease liability of \$304,989, amortization expense of \$60,998, and accumulated amortization of \$60,998.
 - b) the Authority also implemented significant new note disclosures.

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2. Summary of Significant Accounting Policies (continued)

b. Adoption of New Accounting Pronouncements (continued)

The GASB also issued the following GASB statements that required adoption during the current year: Statement No. 89, *Accounting for Interest Cost Incurred before the End of Construction Period*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020 (for all paragraphs except 11)*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and 84, and a suppression of GASB No. 32.*

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

The GASB has issued the following statements, which require adoption subsequent to June 30, 2022 and may be applicable to the Authority. The Authority has not yet adopted these statements, and the implication on the Authority's fiscal practices and financial reports is being evaluated.

<u>Statement No.</u>	<u>Adoption Required in Fiscal Year</u>
94 <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96 <i>Subscription-Based Information Technology Arrangements</i>	2023
98 <i>The Annual Comprehensive Financial Report</i>	2023
99 <i>Omnibus 2022</i>	2024
100 <i>Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62</i>	2024
101 <i>Compensated Absences</i>	2025

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, the stabilization fund and the reserve for extraordinary expense. Restricted liabilities are amounts payable from the restricted assets.

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2. Summary of Significant Accounting Policies (continued)

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

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

g) Net Position - Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported in three categories and these are defined as follows: (1) amounts invested in capital assets consists of capital assets, net of accumulated depreciation and is reduced by the related debt that is attributed to the acquisition, construction, or improvement of those assets, (2) restricted net position results when constraints are placed on net position use, and are either externally imposed by creditors, 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 acquisitions and other expenses.

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

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2. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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3. Cash and Cash Equivalents

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

Custodial credit risk exists for cash deposits when, in the event of the failure of a depository financial institution, the Authority's deposits will not be recovered. The Authority does not have a formal policy with regard to custodial credit risk, but generally invests its funds in deposits that are fully FDIC insured or collateralized with securities held by the pledging financial institution's trust department in the financial institution's name. At June 30, 2022, 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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Current assets - cash and cash equivalents	\$ 669,125	\$ 898,995
Noncurrents assets - restricted funds	307,574	278,047
Total	<u>\$ 976,699</u>	<u>\$ 1,177,042</u>

4. Grants

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

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5. Receivable for Operating and Capital Assistance

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

	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Operating assistance		
United States Department of Transportation -		
Pass-through grants through the Commonwealth		
Operating grants		
Formula Grants for Rural Areas	\$ -	\$ -
CARES Act assistance	328,312	355,602
CRRSA Act assistance	459,629	
Local operating assistance to be billed to		
the Towns constituting the Authority and		
paid by the Commonwealth to the Authority	1,529,156	1,476,607
Other accounts receivable	169,107	132,748
Total operating assistance	<u>2,486,204</u>	<u>1,964,957</u>
Less noncurrent portion	<u>(544,915)</u>	<u>(667,716)</u>
Total current operating assistance	<u>\$ 1,941,289</u>	<u>\$ 1,297,241</u>
	<u>2022</u>	<u>2021</u>
<u>Noncurrent</u>		
Capital assistance		
Commonwealth of Massachusetts	\$ 1,590,117	\$ 2,480,307
United States Department of Transportation	65,473	2,422,501
Total capital assistance	<u>\$ 1,655,590</u>	<u>\$ 4,902,808</u>

6. Inventory

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

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7. Capital Assets and Depreciation

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

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

The capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Common carrier rights	\$ 1,620,000	\$ -	\$ -	\$ 1,620,000
Construction in Progress	\$ 3,000,832		\$ 3,000,832	-
Subtotal	<u>4,620,832</u>	<u>-</u>	<u>3,000,832</u>	<u>1,620,000</u>
Depreciable capital assets				
Building and structures	5,130,852	1,818,368		6,949,220
Vehicles	18,685,709	6,503,639	1,560,121	23,629,227
Equipment	787,939	176,895	56,332	908,502
Intangible assets	180,558	75,001		255,559
Subtotal	<u>24,785,058</u>	<u>8,573,903</u>	<u>1,616,453</u>	<u>31,742,508</u>
Accumulated depreciation	<u>9,699,795</u>	<u>2,443,299</u>	<u>1,513,519</u>	<u>10,629,575</u>
Net depreciable assets	<u>15,085,263</u>	<u>6,130,604</u>	<u>102,934</u>	<u>21,112,933</u>
Net capital assets	<u>\$ 19,706,095</u>	<u>\$ 6,130,604</u>	<u>\$ 3,103,766</u>	<u>\$ 22,732,933</u>

Depreciation expense for 2022 and 2021 was \$2,804,202 and \$2,443,299, respectively.

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8. Revenue Anticipation Notes

During the year ended June 30, 2022 and 2021, the following changes occurred in the Authority's revenue anticipation notes (RANs):

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 2,013,247	\$ 2,000,000
New notes issued	2,000,000	2,017,155
Notes retired	(2,013,247)	(2,003,908)
Ending balance	<u>\$ 2,000,000</u>	<u>\$ 2,013,247</u>

The RAN outstanding at June 30, 2022, has a net interest rate of 1.75% and is due in April, 2023.

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

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

9. Restricted Net Position

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

	<u>2022</u>	<u>2021</u>
Expendable		
Restricted by enabling legislation		
Stabilization Fund	\$ 117,685	\$ 117,685
Reserve for extraordinary expense	189,889	160,362
Capital asset acquisitions	479,247	630,439
	<u>\$ 786,821</u>	<u>\$ 908,486</u>

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10. Leases

Lease receivable

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

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

Total lease receivable	\$ 125,100
Less: current portion	<u>(31,085)</u>
Long-term portion	<u>\$ 94,015</u>

In fiscal year 2022, the Authority recognized lease revenue of \$30,502 and interest income of \$4,652 related to this lease. The balance in the deferred inflows of resources – leases account as of June 30, 2022 was \$122,009.

The future minimum lease income as of June 30, 2022, is as follows:

<u>Year</u>	<u>Principal Receipts</u>	<u>Interest Income</u>	<u>Total</u>
2023	\$ 31,087	\$ 1,617	\$ 32,704
2024	30,480	2,878	33,358
2025	32,294	1,731	34,025
2026	31,239	3,467	34,706
	<u>125,100</u>	<u>9,693</u>	<u>134,793</u>

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

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10. Leases (continued)

Right to use asset

The Authority recorded one right to use asset related to a lease of land. 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, 2022, was as follows:

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

Lease Liability

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

Lease liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Lease liability	\$ -	\$ 304,989	\$ 72,828	\$ 232,161
Less: current maturities				(74,577)
Long-term liability				<u>\$ 157,584</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, 2022, were as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 74,577	\$ 7,254	\$ 81,831
2024	77,352	4,479	81,831
2025	80,232	1,599	81,831
	232,161	13,332	245,493

11. Employees' Retirement Benefits

Pension Plan

General Information about the Pension Plan

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

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

Contributions – Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan 5% and 11% of their covered compensation, depending on plan entry date. The Authority's statutorily required contribution rate for the year ended June 30, 2022, was 8.96% 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 \$46,437 for the year ended June 30, 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

As of June 30, 2022, the Authority reported a liability of \$77,080 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Update procedures were used to roll forward the total pension liability to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Authority's proportion of net pension liability was .836 percent.

For the year ended June 30, 2022, the Authority recognized pension expense of \$5,945 and reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 34,482	\$ 1,099
Net difference between projected and actual investment earnings on pension plan investments		246,554
Changes in assumptions	95,633	
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,825	25,850
Total deferred outflows and inflows of resources	<u>\$ 146,940</u>	<u>\$ 273,503</u>

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

<u>Year</u>	
2023	(26,536)
2024	(55,699)
2025	(29,815)
2026	(20,339)
2027	5,826

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

Actuarial Assumptions – The total pension liability in the January 1, 2020 actuarial valuation and the related update to December 31, 2021 (measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled members, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30.00%	9.10%
International equity	5.00%	6.60%
PRIT CORE	50.00%	6.80%
Real estate	5.00%	6.80%
Fixed income	10.00%	2.20%
Total	100.00%	

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11. Employees' Retirement Benefits (continued)

Pension Plan (continued)

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

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's proportionate share of the net pension liability	\$ 423,905	\$ 199,587	\$ 9,831

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

Post Employment Healthcare Benefits

Plan Description

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

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

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2022 and 2021

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Contributions – Contributions to the Trust are voluntary and determined by the Authority. Presently, the Authority is funding the Actuarially Determined Employer Contribution requirement. For the year ended June 30, 2022, there were not any contributions to the Plan.

Net OPEB Asset

The components of the net OPEB asset at June 30, 2022, were as follows:

Total OPEB liability	\$ 604,299
Fiduciary net position	(1,057,773)
Net OPEB asset	<u>\$ (453,474)</u>

Fiduciary net position as a percentage of the total OPEB liability 175.00%

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

Actuarial cost method	Entry age normal cost method
Amortization method	Increasing at 3.5% over 30 years on an open amortization period
Asset valuation method	Market value
Inflation	2.2% per year
Healthcare cost trend rates	8% initial, decreasing .4 percent per year to 5.4%, then downgrading to an ultimate rate of 4%
Discount rate	7.0%, net of investment expense, including inflation
Pre-Retirement Mortality - General employees	Based on RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2018
Post-Retirement Mortality – General employees	Based on RP-2014 Blue Collar Mortality Table, projected with generational mortality improvement using Scale MP-2018
Payroll growth	3.5% per year
Municipal bond rate	2.16% based on the Bond Buyer 20-Bond Go index

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11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Net OPEB Asset (continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equity	35.00%	5.34%
Mid Cap Equity	10.00%	5.34%
Small Cap Equity	10.00%	5.34%
International Equity	15.00%	6.10%
Real Estate	10.00%	4.40%
Fixed Income	20.00%	1.62%
Total	<u>100.00%</u>	

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

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Notes to Financial Statements
June 30, 2022 and 2021

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Changes in the Net OPEB Liability/Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at 6/30/2021	\$ 560,976	\$ 817,800	\$ (256,824)
Adjustment to valuation	(1,342)	178,586	(179,928)
Balance per new valuation	559,634	996,386	(436,752)
Charges for the year:			-
Service cost	27,000		27,000
Interest	40,768		40,768
Net investment income		65,622	(65,622)
Differences between expected and actual experience	(12,014)		(12,014)
Changes in assumptions	16,359		16,359
Differences between projected and actual earnings	(23,213)		(23,213)
Benefit payments	(4,235)	(4,235)	-
Net changes	44,665	61,387	(16,722)
Balance at 6/30/2022	<u>\$ 604,299</u>	<u>\$ 1,057,773</u>	<u>\$ (453,474)</u>

The actuarial valuation related to fiscal year 2021 was received subsequent to the issuance of the June 30, 2021 financial statements. The new valuation balance showed a net increase in the net OPEB asset of \$179,928. This was caused primarily by under estimating the earnings on OPEB Plan investments in prior years. Since this is a change in an accounting estimate, the Authority recorded the adjustment in the current year.

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

	1% Decrease	Discount Rate	1% Increase
Net OPEB Asset	\$ 332,714	\$ 453,474	\$ 548,023

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2022 and 2021

11. Employees' Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

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

	1% Decrease	Discount Rates	1% Increase
Net OPEB Asset	\$ (563,850)	\$ (453,474)	\$ (307,863)

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

For the year ended June 30, 2022, the Authority recognized OPEB income of \$71,222. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 86,025
Difference between projected and actual earnings	12,926	106,580
Changes in assumptions	117,313	
Total deferred outflows and inflows of resources	\$ 130,239	\$ 192,605

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

<u>Year</u>	
2023	\$ (22,759)
2024	(26,679)
2025	(31,181)
2026	4,345
2027	4,345
Thereafter	9,563
	\$ (62,366)

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 Trustee Chair, 9 Airport Road, Suite 1, Vineyard Haven, MA 02568.

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2022 and 2021

12. Commitments and Contingencies

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

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

- d) Purchase commitments – As of June 30, 2022, the Authority has purchase commitments in the amount of \$340,000 related to the acquisition of a bus and ground assembly chargers.

13. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. The Authority increased the reserve in 2022 and 2021 by \$29,527 and \$28,807, respectively. The aggregate reserve was \$189,889 and \$160,362 in 2022 and 2021, respectively. This represents 19.29 and 16.70% of the applicable local assessments for 2022 and 2021, respectively.

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

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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June 30, 2022 and 2021

14. Hedge Program

The Authority manages a fuel oil hedging program which is intended to take advantage of market conditions to cap fuel expense. The objectives of this program are to (1) identify exposure to movements in energy prices, (2) understand the impact to the Authority's financial position, (3) employ all reasonable and prudent measures to mitigate the impact of price movements, and (4) manage the volatility of energy costs to acceptable levels. The hedge program attempts to transform the unacceptable risks of skyrocketing energy prices into an acceptable form, similar to an insurance policy.

The Authority's hedging program operates under a non-speculative philosophy and transactions are limited to expected energy volumes anticipated in the normal course of operations.

15. Subsequent Events

The Authority evaluated subsequent events through November 28, 2022, 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.

16. 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 2022 was \$145,200. In addition, the CEO is in a (1) health insurance plan contributing 25% of the premium, and (2) a pension plan contributing 11% of regular salary.

The Deputy Administrator's (DA) base salary for fiscal year 2022 was \$108,000. In addition, the DA is in a (1) health insurance plan contributing 25% of the premium, and (2) a pension plan contributing 11% of regular salary.

Advisory Board members and officers do not receive compensation.

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

	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.836%	0.836%	0.844%	0.844%	0.684%	0.684%	0.681%	0.681%
Authority's proportionate share of the net pension liability	\$ 77,080	\$ 199,587	\$ 422,790	\$ 421,760	\$ 226,827	\$ 314,025	\$ 267,629	\$ 245,465
Authority's covered-employee payroll	\$ 518,162	\$ 565,507	\$ 616,092	\$ 508,495	\$ 675,421	\$ 574,843	\$ 539,866	\$ 519,102
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	14.88%	35.29%	68.62%	82.94%	33.58%	54.63%	49.57%	47.29%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	89.76%	75.54%	75.54%	82.43%	74.21%	75.61%	76.17%

Notes to Required Supplementary Information

Schedule Presentation

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

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

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

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

Notes to Required Supplementary Information

Schedule Presentation

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

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

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

Notes to Required Supplementary Information

Schedule Presentation

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Measurement Period						
Total OPEB Asset	\$ 27,000	\$ 24,536	\$ 22,178	\$ 27,884	\$ 26,817	\$ 25,786
Service cost	40,768	36,699	34,152	30,313	26,394	22,748
Interest on the total OPEB liability	(12,014)			(70,807)		
Differences between expected and actual experience	16,359	45,259		72,728		
Changes in assumptions	(23,213)		(28,689)		(88)	
Differences between projected and actual earnings			(3,832)			
Changes in benefit terms	(4,235)	(4,424)		(2,613)	(1,271)	(635)
Benefit payments	(1,342)					
Adjust to new actuarial valuation	43,323	56,811	69,068	57,505	51,852	47,899
Net change in OPEB liability	560,976	504,165	435,097	377,592	325,740	277,841
Total OPEB liability - beginning	604,299	560,976	504,165	435,097	377,592	325,740
Total OPEB liability - ending						
Plan Fiduciary Net Position	\$ 178,586					
Adjust to new actuarial valuation					40,375	294,917
Contribution - employer	65,622	53,646	32,908	33,518	29,978	18,619
Net investment income	(4,235)	(4,424)	(3,832)	(2,613)	(1,271)	(635)
Benefit payments	239,973	49,222	29,076	30,905	69,082	312,901
Net change in plan fiduciary net position	817,800	768,578	739,502	708,597	639,515	326,614
Plan fiduciary net position - beginning	1,057,773	817,800	768,578	739,502	708,597	639,515
Plan fiduciary net position - ending	\$ (453,474)	\$ (256,824)	\$ (264,413)	\$ (304,405)	\$ (331,005)	\$ (313,775)
Net OPEB Asset - ending						
Plan fiduciary net position as a percentage of the total OPEB liability	175.00%	145.78%	152.45%	169.96%	187.66%	196.33%
Covered-employee payroll	\$ 563,319	\$ 695,576	\$ 609,148	\$ 597,210	\$ 566,116	\$ 530,858
Net OPEB asset as a percentage of covered-employee payroll	-80.46%	-36.92%	-43.41%	-50.97%	-58.47%	-59.11%

Notes to Required Supplementary Information

Schedule Presentation

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

Significant assumptions and methods

For assumptions and methods used, see Note 11.

See accompanying independent auditors' report

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Required Supplementary Information
Schedule of OPEB Contributions (Unaudited)
June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 12,000	\$ 11,595	\$ 12,574	\$ 10,489	\$ 11,387	\$ 25,163
Contributions in relation to the actuarially determined contribution	-	-	-	-	40,375	294,917
Contribution deficiency (excess)	\$ 12,000	\$ 11,595	\$ 12,574	\$ 10,489	\$ (28,988)	\$ (269,754)
Covered-employee payroll	\$ 563,319	\$ 695,576	\$ 609,148	\$ 597,210	\$ 566,116	\$ 530,858
Contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	7.13%	55.55%

Notes to Required Supplementary Information

Schedule Presentation

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

Significant assumptions and methods

For assumptions and methods used see Note 11.

See accompanying independent auditors' report

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	24.64%	4.39%	4.44%	4.44%	4.44%	4.40%

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.

STATEMENT OF COSTS (Unaudited)
JUNE 30, 2022

	<u>Rural Area Service</u>
Operating Costs	
Administrative costs (excluding depreciation)	\$ 379,474
Purchased services	
Fixed route	5,323,850
Demand response	501,800
Brokerage services	89,941
Debt Service	23,061
Total Operating Costs	<u>6,318,126</u>
Federal Operating Assistance	
FTA operating and administrative	1,828,647
Revenues	
Operating	
Farebox Revenue	1,482,036
Brokerage service reimbursement	89,941
Other third party reimbursement	110,750
Other Revenues	
Interest income	6,521
Rental income	39,078
Other income	57,419
Total Other Revenues	<u>103,018</u>
Net Operating Deficit	2,703,734
Adjustments	
Pensions	40,492
Leases	75,920
Other adjustments	48,749
Reserve for extraordinary expense	<u>29,527</u>
Net Cost of Service	2,898,422
Net Cost of Service Funding	
Local Assessments	1,008,847
State contract assistance	<u>1,889,575</u>
	<u><u>2,898,422</u></u>

MARTHA'S VINEYARD REGIONAL TRANSIT AUTHORITY
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Schedule 2

Schedule of Costs-Calculation Worksheet and Supplementary Data (Unaudited)

June 30, 2022

Proof calculations and other required information:

Prior year operating expenses, net of fully funded costs brokerage service	\$ 5,102,913
Allowable percentage increase	2.5%
Prior year, net operating expenses times 2.5%	<u>127,573</u>
Current year, allowable net operating expense	5,230,486
Plus: Brokerage service cost	89,941
Additional Federal funding	997,699
 Total operating cost	 <u><u>6,318,126</u></u>
 Amount of extraordinary expenses	 29,527
Prior year local assessment	984,241
Percentage of extraordinary to prior local assessments (not to exceed 3%)	<u>3.00%</u>
 Aggregate amount of reserve account at June 30.	 189,889
Prior year local assessment	984,241
Percentage of reserve account to prior local assessment (not to exceed 20%)	<u>19.29%</u>
 State the management fee paid to major service providers as a percentage of operating costs incurred.	 2.0%
 State the percentage of benefits paid by RTA on behalf of RTA employees for:	
Group life and accidental death insurance	N/A
Group health insurance	75.0%
 State the brokerage service contracts costs as a percentage of total operating costs.	 1.4%
 Stabilization Fund	
Aggregate balance	117,685

Schedule of Local (Towns) Funding (Unaudited)

June 30, 2022

<u>Community</u>	<u>Share</u>
Aquinnah	\$ 43,322
Chilmark	156,390
Edgartown	267,443
Oak Bluffs	149,181
Tisbury	252,767
West Tisbury	<u>139,744</u>
	<u>\$ 1,008,847</u>